

JOHN HAYES

THE **THEORY** AND
PRACTICE OF
CHANGE
MANAGEMENT



SIXTH
EDITION

‘A powerhouse of a book – deftly takes the reader through the stages of organizational change, from diagnosing the need to sustaining organizational learning. Appealing visuals, case studies, video interviews, process maps, and diagnostic tools bring change management concepts to life and actively engage the reader. The 6th edition explores ‘big bang’ changes, destructive leadership, and ethical behavior strategies to counter potentially negative trends. Rich in detail and broad in scope – a must-have resource for professionals and students alike.’

– **Marcia A. Beck**, *University of Miami, USA*

‘In this updated edition, there is even more to like about John Hayes’s text! With many new case examples from around the world – including small, medium and family businesses – this text continues to both inform our understanding of theoretical concepts and provide practical exercises on how to facilitate change more successfully. This text is indispensable for practitioners and students wanting to improve their knowledge of change concepts and apply these theories to practice. It is a vital guide to making sense of situations and provides ideas on how to achieve successful positive outcomes. I highly recommend this book – it is essential reading.’

– **Jane Boeske**, *University of Southern Queensland, Australia*

‘The structure of the book is excellent and makes the subject matter easier for students to digest. Couple this with the fact the book has a good balance of exercises, case studies, research reports and practitioner input and the result is a Change Management textbook that is perfect for students.’

– **Sam Burvill**, *Swansea University, UK*

‘There is no better resource to guide organisational response to change than Hayes’ 6th edition. Not all organisations are the same, and this book caters for different types of organisational change needs by using various cases from the private, public and not for profit sectors, as well as from large, small and family owned businesses to major global corporations. Notwithstanding the differences among organisations, *The Theory and Practice of Change Management* emphasises responsible change management processes that provide pathways for change leaders and practitioners to utilise when reflecting on their own circumstances and experiences.’

– **Nasir Butrous**, *Australian Catholic University, Australia*

‘This book, now in its sixth edition, continues to represent a comprehensive and systematic, state-of-the-art guide to managing change in organizations. In its chapters students, educators and professionals will find a valuable array of expert perspectives and evidence-based change frameworks and skills.’

– **Thomas Calvard**, *University of Edinburgh, UK*

‘This new edition of John Hayes’ book provides a strong portfolio of theoretical perspectives, hands-on guidance and illustrative examples for the management of changes, structured around a framework of working with changes from a process perspective. This brings the multifacetedness and multidimensional unfolding of change processes to the fore, making the book a fertile learning ground for personal, organisational, and educational contexts.’

– **Anja Maier**, *Technical University of Denmark*

‘I did not think that previous editions could be improved upon. I was wrong. Dr. Hayes has provided a useful, readable guide to change management for students at all levels and practitioners. *The Theory and Practice of Change Management* will prepare one to face the challenges caused by a constantly changing, turbulent environment.’

– **Nicholas Miceli**, *Park University, USA*

‘Comprehensive and well-organized. Concepts are presented in a detailed but accessible manner. Definitely required reading for any student, practitioner, and instructor of the topic.’

– **Yu Kang Yang Trevor**, *Nanyang Technological University, Singapore*

‘Managing the people issues is one of the core challenges for realizing successful change in organizations. By repositioning all relevant theories and practical issues on this subject into a new state of the art section, this new edition stays relevant for MSc and MBA students alike.’

– **Antonie van Nistelrooij**, *Vrije Universiteit Amsterdam, Netherlands*

For Mercia

THE THEORY AND PRACTICE OF CHANGE MANAGEMENT

SIXTH EDITION

JOHN HAYES



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CONTENTS

<i>List of figures and tables</i>	vii
<i>List of research reports and change tools</i>	ix
<i>About the author</i>	x
<i>Preface</i>	xi
<i>Tour of the book</i>	xvi
<i>Online teaching and learning resources</i>	xviii
<i>Managing change in practice: video and text feature</i>	xix
<i>Employability skills</i>	xxi
<i>Case studies and examples grid</i>	xxvi
<i>Publisher's acknowledgements</i>	xxx
I MANAGING CHANGE: A PROCESS PERSPECTIVE	1
1. Process models of change	4
2. Leading change: a process perspective	17
II RECOGNIZING THE NEED FOR CHANGE AND STARTING THE CHANGE PROCESS	31
3. Patterns of change	33
4. Sources of change	52
5. Recognizing a need or opportunity for change	62
6. Using value innovation to proactively identify new opportunities	74
7. Starting the change	84
III DIAGNOSING WHAT NEEDS TO BE CHANGED	95
8. Diagnosis	97
9. Gathering and interpreting information	117
IV PLANNING AND PREPARING FOR CHANGE	131
10. Shaping implementation strategies	134
11. Developing a change plan	151
12. Types of intervention based on who does what	167
13. Types of intervention classified according to focal issues	184
14. Selecting interventions	211
V LEADING AND MANAGING THE PEOPLE ISSUES	221
15. Building change relationships	226
16. The role of leadership	241
17. Power, politics and stakeholder management	261
18. Responsible change management: an ethical approach	278

19. Managing context to promote ethical practice	291
20. Communicating change	303
21. Motivating others to change	322
22. Supporting others through change	342
VI IMPLEMENTING CHANGE AND REVIEWING PROGRESS	355
23. Implementing change	357
24. Reviewing and keeping the change on track	368
VII SUSTAINING CHANGE	379
25. Making change stick	381
26. Spreading change	389
VIII LEARNING	399
27. Change managers learning from their own experience	401
28. Facilitating collective learning	408
29. Pulling it all together: a concluding case study	420
<i>References</i>	423
<i>Author index</i>	441
<i>Subject index</i>	446

LIST OF FIGURES AND TABLES

FIGURES

I.1	How Chapters 1–28 relate to the process model presented in Chapter 2	3	11.1	Using the Awakishi diagram as a change tool: plant closure	155
1.1	A reactive sequence	8	11.2	Change participants' perceptions of the appeal and likelihood of the change	156
1.2	The constitution of an organizational path	13	11.3	Clarity of end state and content and structure of the plan	157
2.1	A force-field	18	11.4	A matrix organization structure	159
2.2	The change process	22	11.5	A critical path analysis	160
2.3	Questions to be considered at each stage in the process	30	11.6	Oakland's figure of eight framework for successful change	164
3.1	An organization transacting with its environment	33	11.7	Readiness to change	165
3.2	The gradualist paradigm: continuous evolutionary change	34	11.8	Implementing change	165
3.3	Punctuated equilibrium	36	12.1	The action research process at Freedman House	177
3.4	Types of organizational change	45	12.2	The meeting canoe	178
3.5	Incremental change for internal alignment	48	12.3	A conference method for developing a 'preferred future'	183
3.6	Transformational change for external alignment	48	13.1	Cummings and Worley's typology of interventions based on focal issues	185
3.7	Lewin's three-step process	48	13.2	The five steps of an appreciative inquiry	186
3.8	Intensity of change	49	13.3	Functional structures	195
4.1	Internal factors that can trigger discontinuous change	60	13.4	Cross-functional processes	196
5.1	The trap of success	64	13.5	GP referral for a routine X-ray at a local hospital	197
5.2	Examples of functional misalignment	68	13.6	Parts being pulled in response to customer requests	200
5.3	A dashboard based on a balanced scorecard approach	69	13.7	The Toyota Production System house	201
6.1	The strategy canvas populated by three value curves	75	13.8	All hazards vulnerability matrix	206
6.2	The NUL customer service current and future value curves	81	14.1	A three-dimensional model to aid choice of interventions	214
6.3	Senior leadership value curve	82	14.2	Examples of human process interventions	215
8.1	The diagnostic process	99	14.3	Examples of technostructural interventions	215
8.2	A causal map of a diagnostic model	105	14.4	Examples of human resource interventions	215
8.3	The CEO's model of causal relationships affecting the performance of SSSE	106	14.5	Examples of strategic interventions	216
8.4	The organization as an open system	106	16.1	Strategic coupling	256
8.5	Kotter's integrative model of organizational dynamics	108	16.2	Organizational coupling	256
8.6	The McKinsey 7S model	111	16.3	Environmental coupling	257
8.7	Weisbord's six-box model	112	17.1	GZF's assessment of the power and inclination of stakeholders to support or resist the change	274
8.8	The Burke-Litwin causal model of organizational performance and change	113	18.1	A framework for identifying different forms of altruistic and egotistic behaviour	286
8.9	The transformational factors	113	20.1	Sample problem	307
9.1	A force-field	124	20.2	Dynamics giving rise to organizational silence	308
9.2	Results of the BBC staff survey	125	20.3	The interaction between change agents and organizational members	312
9.3	The force-field	129	21.1	The expectancy model of motivation	334
10.1	A three-dimensional model to aid choice of change strategy	145	21.2	An expectancy model of the motivation to support or resist change	334
10.2	Incremental change strategies	146	22.1	Transition phases	346
10.3	Transformational change strategies	146			

24.1	Bhave's model of entrepreneurial venture creation	371	25.3	A push approach to securing change	385
24.2	Translating the change strategy into a set of operational goals	374	27.1	The experiential learning model	403
24.3	Factors affecting how people respond to the change	376	27.2	Single-loop learning	403
25.1	Classes of sustainability at cell level	383	27.3	Double-loop learning	404
25.2	Factory-level improvement model	383	27.4	A learning chart	406
			28.1	The organization conceptualized as a set of rules that prescribe behaviour	409

TABLES

7.1	Choice of change agent	89	9.3	Using SWOT to develop action plans	127
8.1	Examples of the kind of information that might be attended to	102	12.1	Expert and facilitator led interventions	167
8.2	Information you attended to	102	16.1	The focus of management and leadership	241
8.3	Interdependencies between elements	104	16.2	Key leadership tasks	244
8.4	An example of a matrix of interdependencies	104	17.1	Positive frame	267
8.5	The six structural elements in Kotter's model	108	17.2	Negative frame	268
8.6	Examples of element states that do and do not facilitate system adaptation	110	21.1	The psychological contract	323
8.7	The seven elements of the McKinsey 7S model	110	25.1	Ten sustainability problems and suggested solutions	387
8.8	Klofsten's business platform model	114	26.1	Implementation climate and innovation/values fit: effects on employees' affective responses and innovation use	394
9.1	Examples of questions asked in a BBC staff survey	119	26.2	Factors contributing to the successful rollout of the digitized inventory process	395
9.2	A simple SWOT template	127			

LIST OF RESEARCH REPORTS AND CHANGE TOOLS

RESEARCH REPORTS

2.1	A test of the validity of Lewin's three-step model	20	19.1	Ethical issues associated with Milgram's experiments	292
3.1	Study of microcomputer producers	41	20.1	Communicating bad news	316
12.1	Sociotechnical systems	169	21.1	Effect of group participation on resistance to change	330
16.1	Collective leadership and strategic change in healthcare organizations	257	23.1	The realistic merger preview	363
17.1	Perceptions of fair treatment	275	28.1	Transparency and collective learning	415

CHANGE TOOLS

5.1	Alignment check between your unit and your customers and suppliers	70	13.1	A specimen appreciative interview schedule to help identify values across an organization	187
8.1	The 7S matrix	111	13.2	Diagnosing external alignment	192
9.1	Using a SWOT analysis	127	13.3	Diagnosing internal alignment	194
9.2	A force-field approach to opportunity development or problem management	129	13.4	The plan, do, study, act (PDSA) cycle	198
11.1	The Awakishi diagram	155	13.5	The seven wastes	201
11.2	Critical path analysis	159	13.6	The 5S methodology	202
12.1	WOOP	173	13.7	The five whys	202
12.2	The Axelrod canoe: a blueprint for getting people involved in meetings	178	13.8	The all hazards vulnerability matrix	206
12.3	Organization mirror	179	17.1	Stakeholder grid	271
12.4	Facilitator brief for survey feedback intervention	180	21.1	Assessing the availability of valued outcomes	336
12.5	A conference method for developing a 'preferred future'	183	24.1	The change management indicator	376
			27.1	Opening a second channel to observe oneself in the here and now	405
			28.1	The after action review	411
			28.2	Priority review	412

ABOUT THE AUTHOR

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PREFACE

On many academic programmes, change management is positioned as the integrating course because it requires students to reflect on and synthesize the various perspectives on organizational functioning offered by other modules, such as finance, operations management, marketing, organizational behaviour and strategic management.

Studying change management is important because factors such as the availability of credit, technological advances, changing patterns of demand, increasing competitive pressures, changes in the boundaries of organizations, the development of new organizational forms, regulatory reforms and globalization are creating opportunities and threats that organizations need to address if they are to survive and prosper. Managers, at all levels, have to be competent at identifying the need for change. They also have to be able to act in ways that will secure change. Getting it ‘wrong’ can be costly. Thus, it is imperative that managers get it ‘right’, but getting it ‘right’ is not easy. There is no single ‘recipe’ that can be applied to all organizations at all times. This book addresses a broad range of issues that will affect the likelihood that change efforts will be successful.

This book is not only about managing change in listed private sector companies. It is about the theory and practice of change management in all types of organizations. Many of the organizations featured in case studies and examples are small or medium-sized enterprises, and the management of change in public sector and not-for-profit organizations, such as healthcare, police and charitable bodies, is also discussed.

Not all organizations are the same. Non-economic, family-centred goals can have a big impact on the management of change in family businesses and, in some countries, the short tenure and frequent turnover of top leaders due to elections and the political nature of many senior appointments can make it difficult to implement plans for change. Notwithstanding these differences, there are many similarities in the issues that can affect the management of change, and the generic model of the process of change management, presented in Chapter 2, is relevant for the management of change in all types of organizations.

Studying change management will provide you with an opportunity to reflect on what you have learned from other courses and from your work experience, particularly:

- *sense making*: drawing on different perspectives of organizational functioning
- *ways of knowing*: looking at different sources of data and evaluating evidence
- *shaping behaviours*: examining ways of influencing and coordinating behaviour
- *designing interventions*: considering ways of ‘doing’ that purposely disrupt the status quo in order to move the organization towards a more effective state.

The Theory and Practice of Change Management does what it says on the cover. It provides a scholarly discussion of change management (the *theory*) and a host of insights into how theory can be applied to improve your *practice* of change management. It aims to help you:

- develop your investigative and diagnostic skills so that you will be more effective in assessing what is going on in organizations
- extend your ability to manage issues arising from internally planned and externally imposed organizational changes
- improve your awareness of how people can facilitate or resist change, and extend your ability to manage human resources in the context of change.

KEY CHANGES TO THE SIXTH EDITION

Revised structure and new chapter

The chapters on managing people issues have been moved. People issues have to be addressed throughout the change process, but they are particularly important when implementing change. For this reason, the chapters on managing people issues (Part IV in the fifth edition) have been repositioned as a new Part V, immediately before Part VI Implementing change and reviewing progress.

Building change relationships has been moved from Part II Recognizing the need for change to the new Part V Leading and managing the people issues.

The chapter on value innovation has been retitled Using value innovation to identify new opportunities and moved to Part II Recognizing the need for change and starting the change process.

The six chapters on interventions (Appreciative inquiry, Training and development, High performance management, Business process re-engineering, Lean, and Culture profiling) have been condensed into a new Chapter 13 (Types of intervention classified according to focal issues). Unabridged versions of the original Chapters 19–25 have been moved to the companion website.

The discussion of the sources of change has been extended to include new content on disruption and is presented as Chapter 4 in Part II.

Diagnosis

Chapter 8 has been expanded to include a more detailed discussion of the key steps in the diagnostic process and to explain how each step contributes to the identification of possibilities for improvement.

Responding to pervasive big-bang disruptions such as the COVID-19 pandemic

The COVID-19 pandemic is a low probability, high-impact event that has threatened the viability of many organizations and the economic and social systems in which they are embedded. This type of event is characterized by sudden onset, uncertainty about the nature and duration of its effects and uncertainty about how it can be resolved. There are other examples of this kind of event, other pandemics such as SARS, extreme weather events such as Hurricane Katrina that devastated New Orleans (2005), natural events such as the Great East Japan earthquake (2011), terrorist attacks such as 9/11 and the 2008 financial crisis. These events are referred to, in Chapter 4, as pervasive big-bang disruptions.

Diagnosing big-bang change is discussed in Chapters 8 and 9. Just as medics attending to seriously injured soldiers on a battlefield may have to restrict their attention to what needs to be done to keep the patient alive until they can be transferred to hospital, so managers might need to focus their attention on diagnosing the most pressing threats to business continuity.

Big-bang disruptions might also call for bespoke change strategies. Sometimes, a top-down, push strategy might be called for, but in Chapter 10 attention is given to those occasions where a more collaborative approach could be more effective. Effective strategies might involve crisis management teams dealing with the immediate emergency, and plan-ahead teams gathering forward-looking intelligence and developing multiple scenarios that model different versions of the organization's future.

Emergency planning is the traditional way of coping with predictable adverse events. It involves managers identifying risks and using this assessment to develop emergency plans. Emergency planning is discussed in Chapter 11.

When managers have to deal with unpredictable events, emergency planning may not be sufficient. In these circumstances, the most effective way forward might be to focus on improving the organization's resilience, its ability to absorb, develop situation-specific responses and, ultimately, engage in transformative activities to capitalize on such disruptive surprises. Managing resilience is discussed in Chapter 13. How an organization's past success can undermine an organization's resilience is discussed in Chapter 5.

In Chapter 16, the way unprecedented surprises can lead to a collapse of sense making is considered. Attention is also given to how leaders down the line can contribute to the management of crisis situations.

Communications are important when confronted by big-bang changes. Relational connections and boundary-spanning activities are considered in Chapter 20. They are important because they can facilitate the developments of networks that can act as conduits for information transfer, knowledge creation and innovation.

Family businesses

Managing change in family businesses is a new theme, which is discussed in several chapters. Family businesses are often neglected but they dominate in many emerging economies, represent 90 per cent of all businesses in the USA, and account for 43 per cent of all large businesses in Germany. Issues considered include the tension between maintaining socioemotional wealth and maximizing profit, managing talent, the role of non-family members and other factors affecting their readiness for change and speed of response.

Destructive leadership

Leaders may be under considerable pressure to secure a change, and this may propel some of them to take shortcuts, falsify data and coerce others to do their bidding. New material in Chapter 6 considers the nature and consequences of destructive leadership.

Promoting responsible behaviour and ethical change management

Chapter 19 includes new material on practical measures that managers can take to promote responsible behaviour at every level in an organization. It reviews top-down, compliance-based and bottom-up, values-based approaches and considers the benefits of implementing a combined integrity management framework.

Learning objectives

Learning objectives have been introduced at the beginning of each chapter.

References

References have been moved from the end of each chapter to the end of the book, but they are still presented under individual chapter headings.

New case studies and examples

Some cases and examples have been moved to the companion website to make way for over 20 new cases and examples from around the globe, including Southeast Asia, Africa and South America.

PATHWAYS

One of the strengths of this book is its broad scope. Not everybody, however, will want to read all 29 chapters. Some may want a quick overview of the ‘essentials’ of change management, and others may want to focus on a particular issue.

The ‘essentials’

If you want to use the book to quickly grasp the essentials of change management, you might find it helpful to read the following chapters:

- Chapter 1: Process models of change
- Chapter 2: Leading change: a process perspective
- Chapter 5: Recognizing a need or opportunity for change

- Chapter 8: Diagnosis
- Chapter 10: Shaping implementation strategies
- Chapter 11: Developing a change plan
- Chapter 16: The role of leadership
- Chapter 17: Power, politics and stakeholder management
- Chapter 18: Responsible change management: an ethical approach
- Chapter 20: Communicating change
- Chapter 23: Implementing change
- Chapter 25: Making the change stick
- Chapter 28: Facilitating collective learning.

Recognizing the need for change

If, to start with, you just want to focus on recognizing the need for change, you might find it useful to look at:

- Chapter 1: Process models of change
- Chapter 3: Patterns of change
- Chapter 4: Sources of change
- Chapter 5: Recognizing a need or opportunity for change.

Diagnosis

Diagnosis is rarely a one-off activity. It is an ongoing endeavour that is often closely intertwined with other activities, such as recognizing a need or opportunity for change, identifying what needs to be changed, and reviewing how successfully change plans have been implemented. Sometimes, these activities can be so closely intertwined that it is difficult to distinguish one from the other. For example, when attempts to implement a change plan fail to deliver the expected outcome, the failure can provide those leading the change with new insights (implementation becomes diagnosis) that inform new plans that are then implemented, and so the sequence continues. A pathway that highlights diagnosis might include:

- Chapter 3: Patterns of change
- Chapter 4: Sources of change
- Chapter 5: Recognizing a need or opportunity for change
- Chapter 8: Diagnosis
- Chapter 9: Gathering and interpreting information
- Chapter 24: Reviewing and keeping the change on track.

Implementing change

If you want to review the theory and practice that relates to implementation, you might find the following pathway helpful:

- Chapter 2: Leading change: a process perspective
- Chapter 10: Shaping implementation strategies
- Chapter 11: Developing a change plan
- Chapter 12: Types of intervention based on who does what
- Chapter 13: Types of intervention classified according to focal issues
- Chapter 16: The role of leadership
- Chapter 17: Power, politics and stakeholder management
- Chapter 18: Responsible change management: an ethical approach
- Chapter 19: Managing context to promote ethical practice
- Chapter 20: Communicating change
- Chapter 23: Implementing change
- Chapter 24: Reviewing and keeping the change on track.

Other ways to access content relevant to your needs

You might want to start by dipping into chapters that relate to an immediate concern. Use the contents section and the subject index to identify relevant chapters. For example, if you want to read about the ethics of change management, you might find it useful to dip into Chapters 18 and 19; if your concern is sustaining change, you might want to start with Chapters 25 and 26; if you want to learn more about mergers or acquisitions, you might want to begin by looking at Chapter 23; and if you want some ideas about who should lead the change process, you might find it helpful to look at Chapters 7, 11 and 16.

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TOUR OF THE BOOK

LEARNING OBJECTIVES

Learning objectives are provided at the beginning of each chapter and present an expectation of what you will be able to achieve by the time you have read the chapter.

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize patterns of change and identify their implications for change management practice.
2. Explain the importance of internal and external alignment.
3. Summarize the main features of the gradualist paradigm.
4. Assess the validity of the punctuated equilibrium paradigm.
5. Describe the nature of deep structures and explain how they contribute to organizational inertia.
6. Provide examples of Nadler and Tushman's four types of change.
7. Discuss the implications of these types of change for change management practice.

EXAMPLE 5.1 Horizontal misalignments identified in a manufacturing company

The indicators used to assess the performance of different departments such as production and marketing and sales, in a large US snack confectionery manufacturing company were not aligned with each other. One consequence was that managers working in different parts of the company often lost sight of the overall goal of the organization and focused their attention on the achievement of more immediate goals related to functional performance.

For example, in the face of strong price competition, marketing departments sought to secure increased sales (related to their goal of maximizing revenue from sales) by offering customers fast delivery and customer

EXAMPLES

These illustrate key points and describe an instance or refer to a pattern of behaviour that demonstrates the relevance and aids the understanding of a concept or theory.

MANAGING CHANGE IN PRACTICE 7.1 Colin Ions: The role of HR in mergers and acquisitions

Colin Ions set up the consulting arm of DLA Piper, one of the world's largest law firms.

In his video on the role of HR in mergers and acquisitions, Colin argues that HR managers should change so long as they are on the right agenda and 'get into the mind of the CEO'. He has the confidence that the HR function understands what the CEO and the top team are trying to achieve and that they have a strong business focus. He goes on to discuss four factors that can affect the success of a merger or acquisition.

Before watching his video on the book's companion website at bloomsbury.pub/hay, think about the following question: What do you think are the main factors that can affect the management of change in organizations?

MANAGING CHANGE IN PRACTICE

These interactive features invite you to watch specially recorded videos in which change practitioners with an impressive range of experience across various organizations discuss their view of key topics in change management. The videos are available on the book's website and link back to questions and exercises in the textbook.

CHANGE TOOLS

Change management is most effective when the use of tools and techniques is guided by theory. Throughout the book, a number of carefully selected change tools are presented alongside theory to provide change managers with some ideas about what might be useful in specific circumstances.

CHANGE TOOL 11.2 Critical path analysis

Critical path analysis is a useful tool for scheduling and identifying resource requirements. It focuses attention on:

- ☛ the tasks that need to be completed
- ☛ the order in which they have to be undertaken
- ☛ dependencies between activities. It may not be possible to start some activities until others have been completed whereas others might not be dependent on the completion of other tasks and can be started at almost any time – so long as they are completed when required by later stages in the change process (see task 8 in table below)
- ☛ the resources needed to complete the project and when they will be required
- ☛ milestones to monitor progress
- ☛ the shortest time to complete the project to specification and within budget

CASE STUDY 3.1 Leicester Royal Infirmary

Leicester Royal Infirmary is one of the largest teaching hospitals with a reputation for being well run. However, although the hospital is at the forefront of change, there were growing pressures for further change.

The new pressures for change

The city of Leicester had three acute hospitals located close to each other.

CASE STUDIES

A multitude of international case studies invite you to apply theory to a variety of real-life organizational situations. They are situated across a wide range of industries and countries and are all based on actual events, although in some instances the name and location of the organization have been changed. Each case study includes questions to answer or tasks to complete.

RESEARCH REPORTS

Much of the knowledge about the management of change that is available to managers is practice based. There is, however, a growing body of research evidence that can complement and, in some cases, challenge this craft-based expertise. Throughout the book there are frequent references to research studies, but occasionally selected studies are presented in research reports. These give the flavour of some of this research-based knowledge, how research is contributing to our knowledge about change management, and different research methods that can be used.

RESEARCH REPORT 17.1 Perceptions of fair treatment

Sahdev, K. (2004) Revisiting the survivor syndrome: The role of leadership in organizational change. *European Journal of Work and Organizational Psychology*, 13(2): 165–96.

Sahdev's qualitative study compared the effects of two different approaches to managing organizational change: Barclaycard and SKF UK (a leading provider of bearings, seals and lubrication systems). Over a half-year period, collecting data from company documents, one-to-one interviews and focus groups, downsizing was accompanied by a transformation change.

Barclaycard, anticipating greater competition, had proactively embarked on a three-year program designed to reduce costs and deliver better service to customers. It involved a big investment in the redesign of roles and responsibilities, and the introduction of a matrix structure. As a result, employees were made redundant. Guided by state-of-the-art knowledge (including research on organizational change), the company focused strongly on accommodating leavers by pursuing a transparent redundancy process, providing substantial support for leavers in terms of outplacement and retraining.

While the majority of those who were made redundant felt they had been fairly treated, some retained felt let down by the company. The new technology did not deliver the promised benefits.

EXERCISES

These invite you to articulate and critically examine your own implicit theories of change, drawing on your personal experience, whether that is in a company you have worked for, a club or society you have attended, or in your everyday life. They often ask you to apply concepts and theories studied in the chapter to this experience.

✓ EXERCISE 3.1 How did your organization, or another organization you know, respond to the COVID-19 pandemic?

- Did the organization's response involve incremental or transformational change?
- Was the response proactive or reactive?
- Was the way the organization responded to the pandemic different to the way it typically responds to other crises in the past?

✓ EXERCISE 9.2 Reflect on what you have learned from working on the two chapters in Part III

Based on what you have read and learned from the various exercises in Part III, identify a short list of questions that could help you and others to assess how well those issues that need to be managed when 'diagnosing what needs to be changed' are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part III at the end of the Introduction to Part III. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

REVIEW QUESTIONS

A distinctive feature is that, rather than asking readers to answer questions to assess their understanding, they are invited, at the end of each part, to develop a list of their own questions that might help them assess how well a change agent is managing the issues that have been discussed.

ONLINE TEACHING AND LEARNING RESOURCES

The Theory and Practice of Change Management 6th edition By John Hayes

Home

Teaching resources

Bonus cases

Debriefs for cases

Multiple choice questions

Online learning

Powerpoint presentations

Tutorials

Tutorial scripts

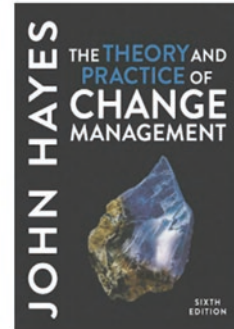
Learning resources

Cases

Change Management

Indicator

Now in its 6th edition, John Hayes' bestselling textbook combines a scholarly discussion of change management with a host of practical tools and techniques. Offering unrivalled breadth, *The Theory and Practice of Change Management* utilises an underpinning framework based on a process model of change. New benefits of this updated edition include increased coverage of a variety of organisations and territories to highlight change in diverse sectors, updated research reports to present the latest theory in the field and new experiential exercises to consolidate and apply learning.



FOR STUDENTS AND PROFESSIONALS

bloomsbury.pub/hayes-change-management-6e is a freely accessible website containing an array of resources.

- *The Change Management Indicator*: a diagnostic tool designed to provide managers with feedback on the success of an ongoing change within their organization.
- *Managing Change in Practice videos*: a specially recorded collection of interviews with change practitioners to accompany the in-text feature.
- *Multiple choice questions*: interactive quizzes accompanying every chapter to test comprehension.
- *Web chapters*: seven chapters that explore some of the interventions discussed in Chapter 13.
- *Additional exercises and change tools*.

FOR LECTURERS

Lecturers who adopt the book gain access to a password-protected selection of resources to help plan and deliver their courses:

- *Audiovisual tutorials*: illustrated PowerPoint presentations, featuring voiceover narration by the author, bring the subject to life and are a useful resource for course preparation.
- *Case materials*: detailed briefings unpack the key issues of all the case studies found in the book, as well as bonus case studies to use in teaching.
- *Lecture slides*: PowerPoint presentations to accompany every chapter, fully illustrated with photographs and diagrams, which you can adapt to suit your course.
- *Online learning resources*: resources for an online learning module that can be delivered via a blend of asynchronous and synchronous learning.

MANAGING CHANGE IN PRACTICE: VIDEO AND TEXT FEATURE

A collection of specially recorded video interviews with experienced change practitioners are available on the companion website at bloomsbury.pub/hayes-change-management-6e. The practitioners give their views of the importance of key topics in change management, such as motivational coaching to help people navigate transitions, the implications of big data, and founding and growing a new business venture. They discuss how these topics work in practice, drawing on their experience of working in organizations such as Norwich Union (now Aviva), Procter & Gamble, The Big Bang Partnership and Oakland Consulting.

The Managing Change in Practice feature appears in selected chapters of the textbook and raises some questions you might want to consider before watching the video. This is followed by a link to the companion website where you can watch the practitioners discussing key topics in change management. The videos are between 2 and 10 minutes long and are often split into sections so you can navigate to the section that interests you most. Some, like John Oakland's video in Chapter 11, are slightly longer and include extra figures and diagrams to help you get to grips with the ideas being considered. You can then refer back to the textbook in order to answer the questions or complete the exercises based on what you have seen. These allow you to think critically about key topics and relate the video content back to your own experience and to the chapter content.

THE PRACTITIONERS

There are 12 Managing Change in Practice features in the book, which link to 12 videos on the companion website. Here is a list of the practitioners and the chapters you can find them in:

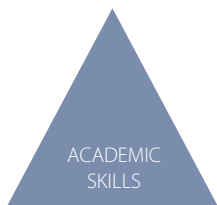
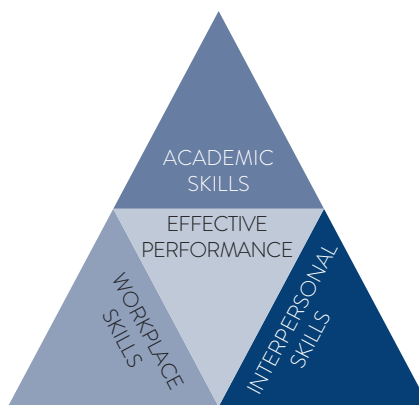
- **Chapter 4: Mick Yates** from Dunnhumby discusses the impact of big data and how it can change the way the enterprise makes decisions, how departments within an organization talk to each other and how the business interacts with its customers.
- **Chapter 4: Hugh Thomas**, co-founder of Ugly Drinks, describes how starting a business is different from working in an established large or medium-sized organization and talks about some of the challenges that entrepreneurs have to manage in order to secure the future of their new venture.
- **Chapter 7: Colin Ions** from DLA Piper argues that HR managers can make a strong contribution to change so long as they are on the right agenda and 'get into the mind of the CEO'.
- **Chapter 10: Steve Gorton**, owner/director of Enabling Development, argues that those managers who are too focused on a top-down approach will be less successful than those who do everything they can to win the hearts and minds of all those involved in or affected by the change.
- **Chapter 10: Rene Bomholt** from Netcompany, Denmark's fastest growing IT consulting house, talks about the importance of anchoring ownership of the change with those who need to change.
- **Chapter 11: John Oakland**, chairman of the Oakland Group, talks about how he has used his 'figure of eight' framework in his consulting work with a wide range of organizations.
- **Chapter 12: Paul Simpson**, a freelance HR and OD practitioner, talks about how he used training and one-to-one coaching to help change the culture of a special metals business. He also considers some of the limitations of using training to deliver this kind of systemic change.
- **Chapter 13: John Hayes** (author) provides an overview of appreciative inquiry, expanding on key points in the chapter.

- **Chapter 16: Jo North**, managing director of The Big Bang Partnership Ltd, highlights what she sees as four key leadership tasks.
- **Chapter 21: Johnny Schmidt**, formally head of global customer service with Maersk Line, talks about the most important lesson he has learned from managing change in complex organizations.
- **Chapter 22: Debbie Middleton**, founder/director of Middleton Green Executive Resourcing, talks about what happens when people are forced to let go of their current job and move to a different role within the same organization, or when they are released from their job and made redundant.
- **Chapter 24: Barrie Hopson**, a serial entrepreneur, talks about the importance of recognizing when it is time to let go of managing the day-to-day detail, and confronting the need to let go of the original business concept, which he refers to as being like ‘killing a favourite child’.

EMPLOYABILITY SKILLS

The CBI (*Confederation of British Industry*, the UK's premier business organization) defines employability skills as the attributes, skills and knowledge that all participants in the labour market should possess to ensure that they have the capability of being effective in the workplace. Some employability skills are job specific, such as the technical skills required to perform a particular role, whereas others are generic and support effective performance in a wide range of work roles. These generic skills include academic, interpersonal and workplace skills.

The Theory and Practice of Change Management provides a rich source of opportunities to develop employability skills. You are invited to draw on the theories presented in this book to: reflect on your own experience of change; interrogate the accounts of change practice presented throughout the text; and complete the cases and exercises in order to help improve your awareness of important skills, assess your level of competence and identify opportunities to practise some of the skills identified below.



ACADEMIC SKILLS

There are several academic skills that can affect performance in the workplace.

The ability to apply theory to practice

A key academic skill is the ability to apply theory to practice in order to secure beneficial outcomes. This requires that you:

- are familiar with and have a good understanding of relevant concepts and theories, such as those presented in this textbook
- can evaluate and debate the efficacy of theories and received opinion
- are able to draw on theories to help you:
 - » make sense of situations
 - » identify the cause-and-effect relationships that affect outcomes in those situations
 - » recognize the causal factors that you and others can influence
 - » plan, implement and review changes that will affect these factors in ways that will lead to better outcomes.

Many concepts and theories are presented throughout the book and the efficacy of competing theories is debated; for example, the gradualist and punctuated equilibrium paradigms in Chapter 3, and the merits of component versus holistic models for diagnosing the need for change in Chapter 8. The book also contains many case studies, which require you to apply theory to critique the way a change was managed or to identify critical issues and draw on theory to propose how these issues could be managed.

The ability to collect, interpret and use data

An important academic skill that can improve your effectiveness in the workplace is the ability to collect, interpret and use quantitative and qualitative data. The collection, interpretation and use of data is considered in Chapter 9 and referred to in many of the research reports presented throughout the book. You are also provided with opportunities to test and develop this skill. See, for example, Change Tool 5.1, and the alternative version presented in step 9, which invites you to interview managers to identify the criteria they use to assess the quality of the products or services they provide to others.

The ability to think critically and marshal relevant evidence and examples to support coherent arguments

Group exercises, case studies and written assignments provide many opportunities to develop this important skill.



WORKPLACE SKILLS

The US Department of Education defines workplace skills as the abilities employees need to successfully accomplish work tasks. This section will consider several generic workplace skills.

Commercial awareness

This important skill involves recognizing internal and external factors that can affect the success of a business:

- Some of the tools that can be used to identify threats and opportunities are presented in Chapters 5 (PEST), 6 (value innovation) and 9 (SWOT).
- Indicators of effectiveness, such as the balanced scorecard, are considered in Chapter 5.
- Factors that can divert attention away from the commercial realities confronting a business are considered in several chapters. See, for example, the discussion of self-reinforcing sequences in Chapters 1 and 3 and the 'trap of success' in Chapter 5.

An appreciation of the systemic nature of work organizations

This involves understanding that all units, whether they be individuals, groups, departments or organizations, are components of a wider system of interrelated parts, and that the way any one part performs can have consequences for other parts of the system. Systems work effectively when all the component parts are aligned:

- The consequences of misaligned performance measures, in terms of waste, poor performance and the quality of working relationships, are illustrated by Example 5.1.
- An effective way of diagnosing the 'health' of a system is to search for misalignments (see Chapter 8).
- Unintended consequences often arise when somebody introduces a change in one part of a system without considering how this will impact others parts of the system.

Problem solving and opportunity development

Management is often viewed as problem solving but it is more than this. A key part of the management process is the development of opportunities. Both problem management and opportunity development involve an assessment of the situation, prioritization of those problems or opportunities that are to receive attention, the identification of a desirable end state, and the development and implementation of plans to achieve this state.

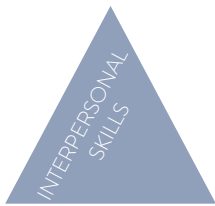
This process receives attention throughout the text, but two approaches receive special attention:

- Lewin's force-field approach (see the first section in Chapter 2 and Change Tool 9.2)
- Oettingen's WOOP methodology (see Change Tool 12.1).

Planning

Developing a plan requires the ability to think through what needs to happen to achieve a goal. When the desired end state (goal) is known in advance, it may be possible to develop a ‘blueprint’ plan, which specifies in some detail what needs to be done, the timeline for implementation, and the resources required at each step on the way. However, where it is not possible to specify the desired end state in advance, a more evolving and incremental approach to planning might be required. This is discussed in Chapter 11:

- The Awakishi diagram (Change Tool 11.1) is a useful tool for stimulating thinking about what needs to be done.
- Critical path analysis (Change Tool 11.2) is a useful tool for identifying the resources required, scheduling activities and specifying milestones for monitoring progress. An important feature of critical path analysis is that it highlights dependencies between activities and identifies the shortest time required to complete a project.
- Exercise 11.1 invites you to reflect on and critique plans you have made to secure a change.



INTERPERSONAL SKILLS

Interpersonal skills are goal-directed behaviours that we use in face-to-face interactions to achieve desired outcomes. This book highlights several important interpersonal skills.

Communicating

Communicating is a core competence that underpins all other interpersonal skills such as helping, influencing and leading. Leaders, for example, need to convey a compelling vision of a better future, inspire and motivate others to implement changes, align their efforts by communicating a shared understanding of what needs to be done, and provide the feedback required to sustain the change:

- Many of the factors that can affect our ability to communicate effectively are considered in Chapter 20.
- The importance of listening to others is a theme that is addressed in several chapters.
- Writing assignments provides a good opportunity for you to practise and receive feedback on your written communication skills, and making presentations to others provides similar opportunities to practise and receive feedback on your ability to communicate verbally.

Helping and facilitating

Helping others to manage their problems or exploit opportunities is a key skill that can have a positive impact on individual, group and organizational performance:

- Chapter 15 reviews five different ways of helping others, examines the relative merits of prescriptive and collaborative modes of helping, and points to the importance of suspending judgement and signalling to others that their viewpoint is worth listening to.
- Exercise 15.1 can be used to identify your preferred way of helping others.
- Part of Chapter 12 considers how coaching, mentoring and counselling can help others improve their capability to manage problems.
- Chapter 22 presents a model of the stages of psychological reaction to change and explores ways in which people can be helped to navigate disruptive personal transitions.

Influencing, persuading and negotiating

In order to get things done, it may be necessary to enlist the support of others, but sometimes this can be difficult because individuals and groups have conflicting interests:

- Chapter 17 explores the political dynamics within organizations and how they can affect people’s willingness to support or resist change.

- Exercise 17.1 alerts you to sources of power and influence.
- Exercise 17.2 presents a checklist you can use to improve your ability to influence others.
- The stakeholder grid (Change Tool 17.1) can be used to help you identify the stakeholders who can affect your ability to achieve a desired outcome.

Leading

Leadership is about revitalizing and renewing a work group, department or organization to ensure that it will be effective over the long term. It is about change. There are various strategies that leaders can adopt to secure change:

- Push and pull strategies are discussed in Chapter 2.
- The relative merits of autocratic top-down and more democratic bottom-up strategies are considered in Chapter 10.

Understanding what it is that leaders need to do can help you improve your ability to lead:

- Chapter 16 examines leadership from a task perspective and focuses attention on seven key tasks: sense making, visioning, sense giving, aligning, enabling, supporting and maintaining momentum.
- Exercise 16.1 is designed to help you improve your ability to lead.

Motivating others

The ability to motivate others is a key skill. Expectancy and equity theories, presented in Chapter 21, provide a useful conceptual framework for diagnosing motivational problems and identifying actions you can take to motivate others.

Working with groups and teams

Managers spend a large part of their time leading teams or working as members of teams:

- Eight principles that affect how teams work are discussed in Chapter 12, along with some interventions to improve team performance, such as action research.
- Other interventions, such as after action reviews, are discussed in Chapter 28.
- The Axelrod canoe (Change Tool 12.2) provides a blueprint for getting people involved in meetings.

Behaving responsibly

Trust, integrity and ethical behaviour can have a powerful long-term impact on individual and organizational performance. Chapter 18 examines responsible behaviour from the perspective of 'doing the right thing towards others', and presents cases and arguments that will help you:

- identify which 'others' you should consider
- determine what doing the right thing involves
- recognize factors that could affect whether you and others will behave in a responsible way
- identify steps you could take that will promote ethical behaviour.

Learning

The ability to reflect on your own and others' behaviour and learn from this experience is a key skill that can help to ensure that you will continue to make an effective contribution, wherever you are employed:

- The benefits of reflection-in-action and reflection-on-action are considered in Chapter 27.

- Change Tool 27.1 offers two ways of observing yourself in ‘the here and now’.
- Example 27.1 illustrates how learning logs can be used to aid reflection-on-action.
- Ways of helping others learn from their experience are considered in Chapter 28.
- Barriers to organizational learning are considered in Chapter 28, together with what you can do to help members of your work group, department or organization learn from their collective experience.

CASE STUDIES AND EXAMPLES GRID

Ch	Title	Industry	Location
1, p. 6	Example 1.1 A car importer responds to imposed change	Automobile	Denmark
1, p. 8	Example 1.2 BA cabin crew dispute	Aviation	UK
1, p. 9	Example 1.3 Increasing returns contributed to the demise of Nokia	Telecommunications	Finland/worldwide
1, p. 10	Example 1.4 Flyclinic: a failed attempt to create an online medical tourism platform	Healthcare	Colombia/USA
1, p. 12	Example 1.5 Unrealistic goals for change at Direct Banking	Banking	Netherlands
1, p. 14	Example 1.6 Foxconn: how organizational path dependence is hindering attempts to diversify into the design and manufacture of low-volume, high-margin, high-tech products	Electronics	China
2, p. 27	Example 2.1 A failure to recognize unintended consequences at Concrete Flags Ltd	Paving manufacturing	UK
3, p. 35	Example 3.1 Haier: the gradual transformation of a traditional manufacturing firm into a highly responsive, online-based entrepreneurial company	Household appliances	China
3, p. 38	Example 3.2 The impact of Foxconn's tightly coupled ecosystem in China on the relocation of operations to other countries	Electronics	Taiwan/China
3, p. 40	Example 3.3 The rise and fall of Blockbuster	Retail	USA/worldwide
3, p. 45	Example 3.4 India's sudden withdrawal of Rs500 and Rs1000 bank notes in 2016	Many	India
3, p. 46	Example 3.5 The re-creation of VW	Automotive	Germany
3, p. 47	Example 3.6 UK Coal: the simultaneous pursuit of adaption and reorientation	Mining	UK
3, p. 50	Case Study 3.1 Leicester Royal Infirmary	Healthcare	UK
4, p. 54	Example 4.1 Aldi's disruption of the supermarket sector in Australia	Supermarkets	Australia
4, p. 55	Case Study 4.1 Was Uber a disrupter?	Transportation	USA/worldwide
4, p. 58	Case Study 4.2 Alternative explanations for Uber's success	Transportation	USA/worldwide
5, p. 63	Case Study 5.1 Using PEST to identify threats and opportunities confronting the German car industry	Automotive	Germany
5, p. 67	Example 5.1 Horizontal misalignments in a large US snacks and confectionery manufacturing company	Food manufacturing	USA
5, p. 72	Case Study 5.2 The Active Sports Equipment Company	Sports equipment manufacturing	UK

6, p. 80	Case Study 6.1 Norwich Union Life's transformation of customer service	Insurance	UK
7, p. 88	Case Study 7.1 Failure to convince others of the need for change at AT&T	Telecommunications	USA
7, p. 90	Example 7.1 Leading change at Lyons Confectionery	Confectionery manufacturing	UK
Part III, p. 95	Case Study III Accord: jumping to conclusions before diagnosing the problem	Commodities trading	Singapore
8, p. 97	Case Study 8.1 Site Security and Secure Escorts	Security services	Netherlands
9, p. 126	Example 9.1 The effect of being observed	Manufacturing	USA
9, p. 128	Example 9.2 Northern Rock	Banking	UK
Part IV, p. 132	Case Study IV.1 Designing an intervention to improve the effectiveness of primary healthcare centres in southwest India	Healthcare	India
Part IV, p. 133	Case Study IV.2 Designing an intervention to reduce absenteeism in the elderly care sector of Silkeborg Council, Denmark	Social care	Denmark
10, p. 135	Case Study 10.1 Improving the performance of a new business school in a Dutch university	Education	Netherlands
10, p. 139	Example 10.1 The implementation of an OD strategy at the BBC	Broadcasting	UK
10, p. 147	Case Study 10.2 airBaltic	Air transport	Latvia
11, p. 152	Case Study 11.1 Planning for change at Bairrada Wines	Wine making	Portugal
11, p. 158	Example 11.1 Matrix structures	Automotive	Spain
11, p. 161	Case Study 11.2 Bairrada Wines: the consequences of blinkered thinking	Wine making	Portugal
11, p. 163	Example 11.2 Morgan Stanley's emergency planning at the World Trade Center	Financial services	USA
12, p. 176	Example 12.1 Action research at Freedman House	Ex-offenders hostel	UK
13, p. 188	Example 13.1 Using appreciative inquiry for organization development at Médecins Sans Frontières	Charity/healthcare	Worldwide
13, p. 191	Example 13.2 Using training to help change the culture of a special metals business	Manufacturing	UK
13, p. 196	Example 13.3 Mapping a GP referral for a routine X-ray at a local hospital	Healthcare	UK
13, p. 200	Example 13.4 The Toyota Production System	Automobile manufacturing	Japan/worldwide
13, p. 202	Example 13.5 Implementing lean at Flinders Medical Centre	Healthcare	Australia
13, p. 207	Example 13.6 Brenntag's history of restructuring for strategic gain	Chemical distribution	Germany/worldwide

Part V, p. 221	Case Study V Triumph: sourcing components from cost-competitive countries, Part 1	Manufacturing	USA
Part V, p. 222	Case Study V Triumph: sourcing components from cost-competitive countries, Part 2	Manufacturing	USA
15, p. 233	Example 15.1 Using a supportive approach in an Indian fintech startup	Finance	UK
15, p. 234	Example 15.2 Using force-field analysis in a multinational auto components manufacturer	Auto components manufacturing	Worldwide
15, p. 236	Example 15.3 Using a challenging approach in a French primary school	Education	France
15, p. 237	Example 15.4 Using an information-gathering approach in a US communications infrastructure company	Communications infrastructure	USA
16, p. 243	Example 16.1 Expanding the capacity of the NHS to treat those affected by COVID-19	Healthcare	UK
16, p. 246	Example 16.2 Involving staff in developing a new vision for Íslandsbanki	Banking	Iceland
16, p. 247	Example 16.3 Data loss prevention at a German hotel chain	Hospitality	Germany
16, p. 249	Example 16.4 Reorganizing the emergency response function in a Dutch police organization	Emergency services	Netherlands
16, p. 251	Example 16.5 Stephen Elop's burning platform memo	Telecommunications	Worldwide
17, p. 270	Case Study 17.1 GZF's response to changes in Switzerland's healthcare regulations: stakeholder brainstorm	Healthcare	Switzerland
17, p. 271	Case Study 17.2 Mapping GZF's stakeholders onto a stakeholder grid	Healthcare	Switzerland
17, p. 274	Case Study 17.3 Managing stakeholder relationships at GZF	Healthcare	Switzerland
18, p. 280	Case Study 18.1 Patient care at the Mid Staffordshire hospitals	Healthcare	UK
18, p. 281	Case Study 18.2 The VW emissions scandal: what the company did	Automotive	Germany
18, p. 284	Case Study 18.3 Stakeholders affected by VW's decision to falsify emissions data	Automotive	Germany
18, p. 287	Example 18.1 Sir Phillip Green and the collapse of BHS	Retail	UK
18, p. 288	Example 18.2 Ørsted's transformation from a black to a green energy company	Energy	Denmark
19, p. 293	Example 19.1 The mindset within VW	Automotive	Germany
19, p. 295	Example 19.2 The cost and consequences of the emissions scandal for VW	Automotive	Germany
19, p. 298	Example 19.3 Using appreciative inquiry to clarify values at Hammersmith Hospital, London	Healthcare	UK

19, p. 301	Example 19.4 Uber's damaging culture	Transportation	USA
20, p. 304	Case Study 20.1 Connect2	Advertising/PR	Australia
20, p. 313	Example 20.1 PCBtec	Electronics	France
20, p. 320	Case Study 20.2 Galaxy	Home appliance manufacturing	Germany
21, p. 327	Example 21.1 Legal templates	Law firm	Denmark
21, p. 331	Example 21.2 Actions can speak louder than words: breaking fridges at Haier	Home appliances	China
21, p. 335	Example 21.3 Buffalo News	Broadcasting	Africa
21, p. 339	Case Study 21.1 Managing change at the Douglas refinery	Oil refinery	Ireland
23, p. 358	Case Study 23.1 KeyChemicals' acquisition of Eco-Pure: recognizing the opportunity and starting the process	Chemical distribution	Switzerland, Denmark
23, p. 359	Case Study 23.2 Due diligence for the acquisition of Eco-Pure	Chemical distribution	Switzerland, Denmark
23, p. 360	Case Study 23.3 Planning the integration of KeyChemicals and Eco-Pure	Chemical distribution	Switzerland, Denmark
23, p. 361	Case Study 23.4 Developing the acquisition blueprint	Chemical distribution	Switzerland, Denmark
23, p. 365	Case Study 23.5 Announcing the acquisition to Eco-Pure employees	Chemical distribution	Switzerland, Denmark
23, p. 367	Case Study 23.6 Reviewing the implementation of blueprint plans	Chemical distribution	Switzerland, Denmark
24, p. 374	Example 24.1 Customer care at Maersk Line	Shipping	Denmark/worldwide
26, p. 392	Example 26.1 Asda's rollout of 'store renewal'	Retail	UK
26, p. 394	Example 26.2 Rolling out a digitized inventory control system across a fleet of 50 tankers	Shipping	Belgium
27, p. 406	Example 27.1 Storytelling to facilitate reflecting on practice at Concrete Flags Ltd	Paving manufacturing	UK
28, p. 413	Example 28.1 Bone density scans	Healthcare	UK
28, p. 414	Example 28.2 Google as a learning organization	Online services	Worldwide
28, p. 417	Example 28.3 The failure to transfer ideas from an innovation lab to the parent business	Retail	India
29, p. 420	Case Study 29.1 Managing change in the urology department of a hospital in England	Healthcare	UK

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MANAGING CHANGE: A PROCESS PERSPECTIVE



INTRODUCTION TO PART I

Part I introduces the process theories of change that provide the conceptual framework for the discussion of the theory and practice of change management presented in Parts II–VIII.

Chapter 1 Process models of change

Chapter 1 introduces four process theories: teleological, dialectical, life cycle and evolutionary. All four view change as a series of interconnected events, decisions and actions, but they differ in terms of the degree to which they present change as a necessary sequence of stages and the extent to which the direction of change is constructed or predetermined.

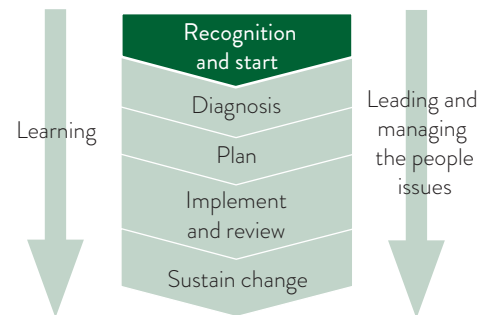
Life cycle and evolutionary theories present change as a predetermined process that unfolds over time in a prespecified direction. Teleological and dialectical theories, on the other hand, view change trajectories as constructed, in the sense that goals, and the steps taken to achieve goals, can be changed at the will of (at least some of) those involved in the process. However, this may not always be easy to achieve in practice because those involved, especially those leading the change, may fail to recognize some of the dynamics that affect outcomes.

Attention is given to the impact of reactive and self-reinforcing sequences:

- *Reactive sequences:* When change involves different individuals and groups each seeking to pursue their own interests, then, depending on the balance of power, reactive sequences are likely to emerge and one party may challenge another party's attempt to secure a particular outcome.
- *Self-reinforcing sequences:* When a decision or action produces positive feedback, it reinforces earlier events and this reinforcement induces further movement in the same direction. While self-reinforcing sequences can deliver benefits over the short term, change managers need to be alert to the possibility that they may divert their attention away from alternative ways of responding to situations, narrow their options, and lock them into a path that may deliver suboptimal outcomes over the longer term.

Chapter 2 Leading change: a process perspective

Chapter 2 builds on the ideas discussed in Chapter 1 and offers a process model of change based on teleological and dialectical theories. It provides a conceptual framework that those leading change can use to identify the issues they need to address if they are to secure desired outcomes. It can also be used to identify the kinds of questions that will



help them reflect on how well they are doing and what else they could do to improve performance.

The model conceptualizes the management of change as a purposeful, constructed but often contested process that involves attending to seven core activities:

1. recognizing the need for change and starting the change process
2. diagnosing what needs to be changed and formulating a vision of a preferred future state
3. planning how to intervene in order to achieve the desired change
4. leading and managing the people issues
5. implementing plans and reviewing progress
6. sustaining the change
7. learning.

When managing change is viewed as a process, and events, decisions, actions and reactions are seen to be connected, those leading the change are more likely to be able to take action and intervene in ways that can break inefficient patterns and move the change process in a direction that is more likely to deliver superior outcomes.

The way in which Chapters 1–28 relate to the generic model is illustrated in [Figure I.1](#).

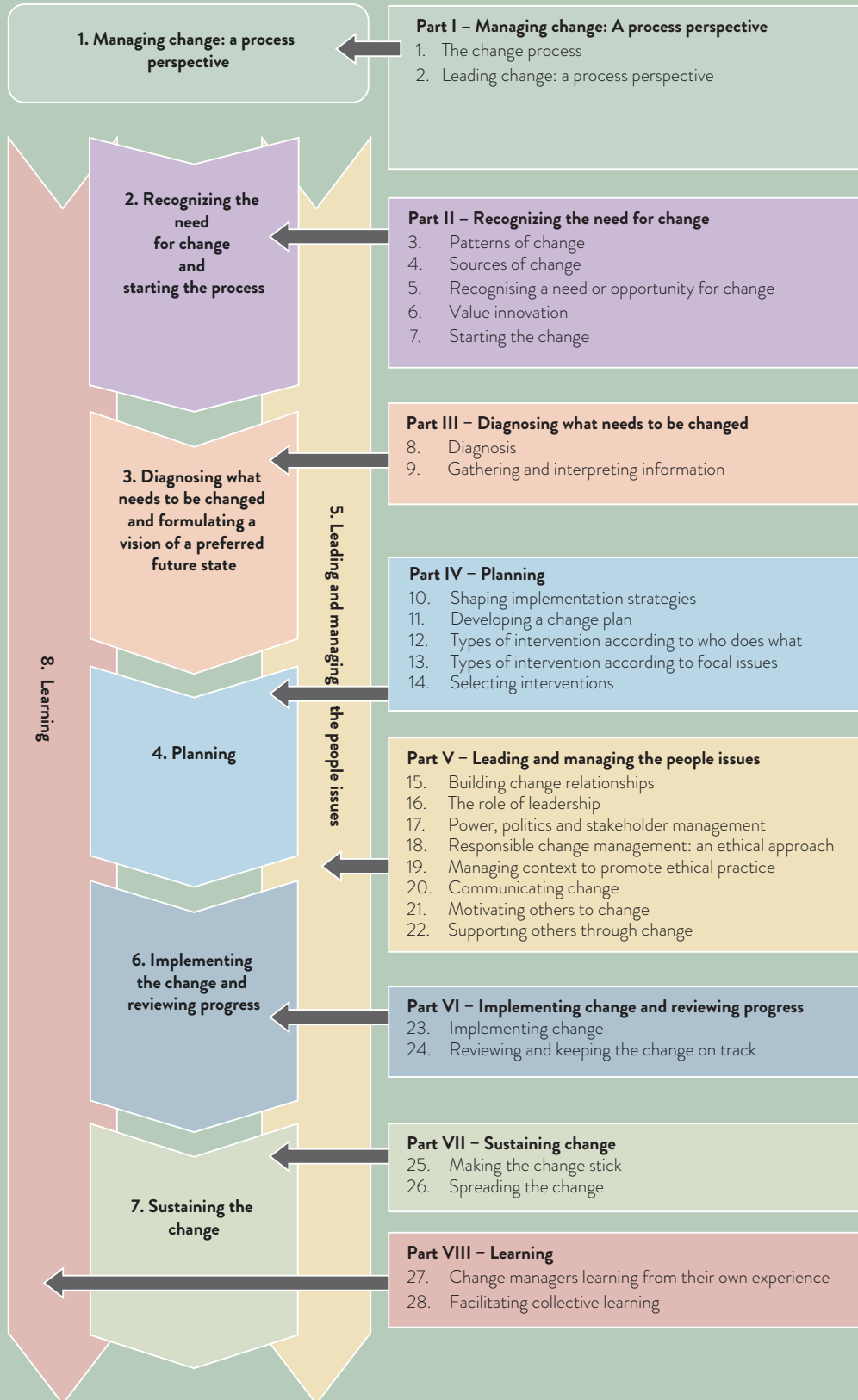


Figure I.1 How Chapters 1–28 relate to the process model presented in Chapter 2

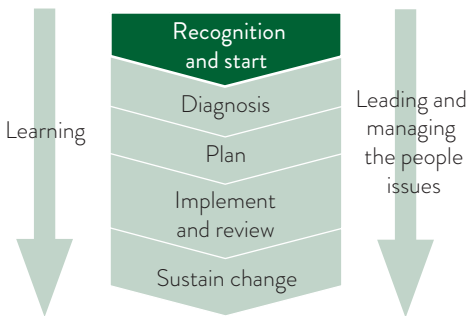


PROCESS MODELS OF CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Understand the nature of change from a process perspective.
2. Describe the similarities and differences between teleological, dialectical, life cycle and evolutionary process theories of change.
3. With reference to these theories, critically assess the proposition that change trajectories can be managed.
4. Provide an example of how a reactive sequence of events, decisions and actions can affect the change agent's ability to achieve intended goals.
5. Define and summarize the main drivers of self-reinforcing sequences.
6. Explain how self-reinforcing sequences can lead to path dependence and demonstrate how this can affect change outcomes.
7. Summarize some of the steps that change agents can take to minimize the negative effects of reactive and self-reinforcing sequences.



Change managers, at all levels, have to be competent at identifying the need for change. They also have to be able to act in ways that will secure change. While those leading change may work hard to deliver improvements, there is a widely accepted view that many change projects fail to deliver the intended outcomes. Getting it 'wrong' can be costly. It is imperative, therefore, that those responsible for change get it 'right', but getting it 'right' is not easy. Change agents, be they managers or consultants, are often less effective than they might be because they fail to recognize some of the key dynamics that affect outcomes and therefore do not always act in ways that enable them to

exercise sufficient control over what happens.

This chapter examines change from a process perspective, that is, the 'how' of change and the way a transformation occurs. After reviewing the similarities and differences between various process theories, attention is focused on reactive and self-reinforcing sequences of events, decisions and actions and how they affect change agents' ability to achieve intended goals. It is argued that in order to minimize any negative impact from these sequences, those leading change need to be able to step back and observe what is going on, including their own and others' behaviour, identify critical junctures and subsequent patterns – some of which may be difficult to discern – and explore alternative ways of acting that might deliver superior outcomes.

STATES AND PROCESSES

Open systems theory provides a framework for thinking about organizations (and parts of organizations) as a system of interrelated components that are embedded in, and strongly influenced by, a larger system. The key to any system's prosperity and long-term survival is the quality of the fit (state of alignment) between the internal components of that system, for example the alignment between an organization's manufacturing technology and the skill set of the workforce, and between this system and the wider system of which it is a part, for example the alignment between the organization's strategy and the opportunities and threats presented by the external environment. Schneider et al. (2003) assert that internal and external alignment promote organizational effectiveness because, when aligned, the various components of a system reinforce rather than disrupt each other, thereby minimizing the loss of system energy (the 'get-up-and-go' of an organization) and resources. Effective leaders are those who set a direction for change and influence others to achieve goals that improve internal and external alignment.

Miles and Snow (1984) argue that instead of thinking about alignment as a state (because perfect alignment is rarely achieved), it is more productive to think of it as a process that involves a quest for the best possible fit between the organization and its environment and between the various internal components of the organization. Barnett and Carroll (1995) elaborate on the distinction between states and processes. The state (or content) perspective focuses attention on 'what' it is that needs to be, is being or has been changed. The process perspective, on the other hand, attends to the 'how' of change and focuses on the way a transformation occurs. It draws attention to issues such as the pace of change and the sequence of activities, the way decisions are made and communicated, and the ways in which people respond to the actions of others. Change managers play a key role in this transformation process.

THE CHANGE PROCESS

On the basis of an extensive interdisciplinary review of the literature, van de Ven and Poole (1995) found over 20 different process theories. Further analysis led them to identify four ideal types – teleological, dialectical, life cycle and evolutionary theories – that provide alternative views of the change process:

1. *Teleological theories*: assume that organizations are purposeful and adaptive, and present change as an unfolding cycle of goal formulation, implementation, evaluation and learning. Learning is important because it can lead to the modification of goals or the actions taken to achieve them.
2. *Dialectical theories*: focus on conflicting goals between different interest groups and explain stability and change in terms of confrontation and the balance of power between the opposing entities.
3. *Life cycle theories*: assume that change is a process that progresses through a necessary sequence of stages that are cumulative, in the sense that each stage contributes a piece to the final outcome, and related – each stage is a necessary precursor for the next.
4. *Evolutionary theories*: posit that change proceeds through a continuous cycle of variation, selection and retention. Variations just happen and are not therefore purposeful, but are then selected on the basis of best fit with available resources and environmental demands. Retention is the perpetuation and maintenance of the organizational forms that arise from these variations via forces of inertia and persistence.

A common feature of all four theories is that they view change as involving a number of events, decisions and actions that are connected in some sort of sequence, but they differ in terms of the degree to which they present change as following certain essential stages and the extent to which the direction of change is constructed or predetermined.

The ordering of stages

Some theories place more emphasis on the order of the stages in the change process than others. For example, life cycle theories are more prescriptive about this than teleological theories. Flamholtz (1995) asserts that organizations progress through seven stages of development from new venture to decline and possible revitalization. He argues that at each stage of development, the criteria of organizational effectiveness change. The major concern during the first stage of the organization's life cycle is survival and critical areas for development are markets and products. In the second stage, resources are often stretched and operating systems become overwhelmed, so resource management and the development of operating systems emerge as key tasks. The third stage of the life cycle is the point where more formal management systems, such as planning and management development, are required to ensure the long-term functioning of the business, and so on through the seven stages of the life cycle.

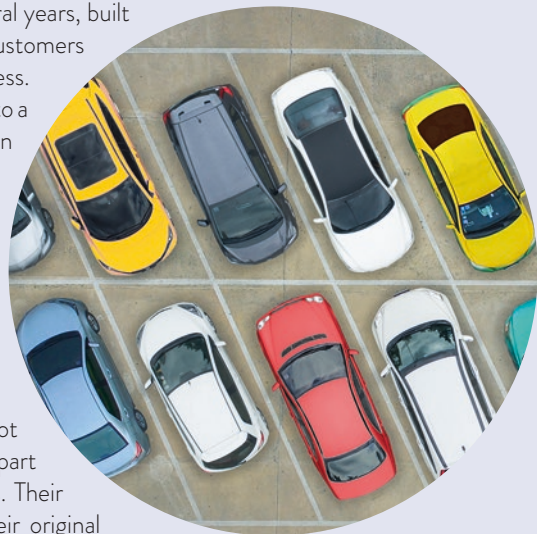
Teleological theories are less prescriptive about the ordering of stages. They present development and change as a repetitive sequence of goal formulation, implementation and evaluation, leading to the modification of an envisioned end state based on what was learned or intended by the people involved (van de Ven and Sun, 2011). While each of these stages is important and there is a logical sequence connecting them, the sequence does not have to, and often does not, unfold in a way that follows the ordered linear sequence presented above. For example, while an initial diagnosis may clarify a problem, it may fail to identify a desired end state, so the process may have to unfold in a tentative way that involves constant testing or some backtracking to earlier stages in order to achieve a valued outcome. Even when a goal can be specified at an early point in the process, it is not uncommon for unanticipated problems or new pressures for change to emerge and require attention even though the current change sequence has not been completed. Example 1.1 illustrates this point.

EXAMPLE 1.1 A car importer responds to imposed change

An importer of value-for-money, low-cost cars had, over several years, built up a network of independent dealers to retail the vehicles to customers with relatively low disposable incomes. It was a successful business.

The manufacturer of the low-cost cars alerted the importer to a forthcoming change. In order to counter anticipated competition from even cheaper imported cars from India and China, it had decided to reposition its brand. It wanted to widen its market to include customers who normally bought more expensive vehicles, such as Ford or Opel. The manufacturer had already announced the launch of a new model that was technically superior to other cars in its range, but the new announcement made it clear that it intended to follow this up by rebranding and repositioning the entire range.

The importer quickly recognized that this would require a lot of changes to its own business. Many of the retailers who were part of its dealer network had started out selling second-hand cars. Their showrooms tended to be located in premises adjacent to their original petrol retailing or repair shop businesses. They had long-standing relationships with many of their customers who had first come to them to buy second-hand cars and then moved on to purchase models from their range of inexpensive imported cars. An initial diagnosis indicated that the importer would have to encourage many of these dealers to refurbish and modernize their premises and, in some cases, relocate in order to attract the type of customer who would be interested in better quality, more expensive cars. Some dealers also had a relatively unsophisticated approach to selling, indicating a need for training and staff development. The importer quickly began to formulate a change strategy, but initial approaches to a sample of dealers to test out plans for change met with strong resistance.



This triggered a rethink. The problem was reframed and another diagnostic exercise was undertaken to explore the possibility of replacing some of the existing dealers with dealers who were already selling more upmarket vehicles and who might be interested in either transferring their allegiance or taking on an additional brand and selling the imported cars alongside their existing range. When this strategy was tested, not many distributors of other brands showed much interest in transferring or diluting their allegiance, so this prompted yet a further rethink.

This third way forward involved working with some (maybe a majority) of the existing dealers to help them make the changes required to sell the rebranded cars and, alongside this approach, exploring the possibility of developing a new relationship with an Indian manufacturer of cheap cars. The plan was to establish a related business to import and distribute its vehicles using those dealers who were not prepared to move upmarket. Before plans to pursue this strategy were well advanced, a recession hit car sales, slowing plans to move the majority of dealers upmarket, and the Indian manufacturer announced a delay in its plans to launch its low-cost vehicles in European markets. These changes called for yet another rethink of the situation.

Predetermined versus constructed trajectories

Van de Ven and Poole (1995) argue that life cycle and evolutionary theories present change as a predetermined process that unfolds over time in a prespecified direction. This kind of change involves incrementally adapting organizational forms in predictable ways. The process may be prescribed by some inherent code (as in biological evolution) or by the limits imposed by a wider system. Greenwood and Hinings (1996), for example, argue that an organization's institutional context can limit the possibilities for change, especially when the organization is embedded in a wider system that has tightly coupled relationships (see Chapter 3).

Teleological and dialectical theories, on the other hand, view change trajectories as constructed, in the sense that goals, and the steps taken to achieve goals, can be changed at the will of (at least some of) those involved in the process. According to this perspective, the process is not unduly constrained by an inherent code or factors external to the immediate system. Those leading the change have the power to intervene and act in ways that can make a real difference. The strategic choice framework, for example, asserts that one of the key factors determining the effectiveness of an organization is the quality of the strategic choices made by members of the dominant coalition who lead the organization. Teleological and dialectical theories highlight the role of human agency and assert that change agents can act to affect change in ways that will either promote or undermine organizational effectiveness.

THE IMPACT OF SEQUENCE ON OUTCOME

Although teleological and dialectical theories suggest that members of a system have considerable freedom to construct change trajectories, and assert that it is possible for them to break away from established routines and intentionally move the system towards redefined goals, this may not always be easy to achieve in practice. The nature of the change sequence, whether reactive or self-reinforcing (see Mahoney, 2000), will affect the extent to which those leading the change will be able to realize this possibility.

A change process involves a number of events, decisions and actions that are connected in a sequence. They are connected in the sense that each event is influenced by earlier events and also helps to shape subsequent events. In the sequence $A > B > C > D > E$, event B is both a response to event A and a factor that shapes event C, which in turn effects D and so on. The way an earlier event will impact later events depends on how others respond.

Reactive sequences

Dialectical theories focus on the conflicting goals of those involved in a situation. These conflicts give rise to reactive sequences, in which one party challenges another party's attempt to secure a particular change. In reactive sequences, subsequent events challenge rather than reinforce earlier

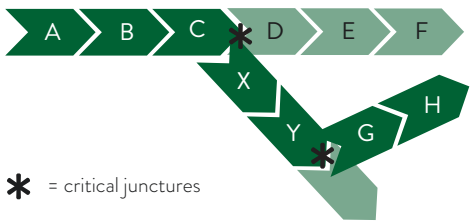


Figure 1.1 A reactive sequence

events. This is illustrated in Figure 1.1. A leader implements a decision (A) as the first step along the way to achieving a particular outcome (F). This action leads to responses (events B and C) that reinforce the leader's initial intention, but (in this example) this support is short-lived. The earlier events provoke a reaction from others, maybe because they see little or no benefit in the current direction of change. The outcome of this critical juncture is that the change is pushed in a new direction. But this new direction may not be sustained for long. In this example, it is challenged following event Y.

While those leading a change may attempt to avoid conflict by formulating a vision that accommodates the interests of many constituencies – bosses, peers, subordinates, customers, suppliers, bankers – it may not always be possible to satisfy them all and some may resist the change. This highlights the importance of not only working to set a viable direction for change but also acting in ways that will align all those involved to support it.

In some cases, negative reactions may only lead to minor deviations from the leader's intended path but sometimes the reaction can block or radically transform the change. Mahoney (2000) refers to the possibility of a 'backlash', and Pierson (1998) observes that events can trigger counter-reactions that are powerful enough to move the system in a completely new direction. Example 1.1 provides a good illustration when the car dealers resisted the importer's plans for change. Example 1.2 presents another instance of this at British Airways.

EXAMPLE 1.2 BA cabin crew dispute

British Airways (BA) needed to change in order to compete against the increasing number of low-cost airlines, absorb rising fuel prices and adapt to the global recession. The company announced changes in staffing levels, pay and conditions in order to cut costs. A number of changes were implemented, including some staff switching to part-time working and others taking voluntary redundancy, but a proposal to reduce the number of cabin crew on long-haul flights from 15 to 14 was fiercely resisted.

Actions and reactions, including strikes, suspensions and dismissals, continued for 18 months. Early on in the dispute, reactions escalated to the point where cabin crew decided on a 12-day strike over the Christmas holiday period. BA responded by taking legal action that prevented the strike from taking place. After two weeks of talks between BA management and Unite (the trade union representing cabin crew), the union decided to rebalot members and the result was a vote in favour of strike action, starting with an initial 3-day strike. Following the strike, the company withdrew generous travel concessions from those workers who had participated in the industrial action.

Action and reaction continued to escalate the dispute. Three months later, after failing to reach a compromise with its staff, BA won a court injunction preventing a series of planned strikes. Talks to avert further action broke down when demonstrators stormed the building and the CEO had to be escorted away for his own protection. After more strikes and a bitter war of words, it was reported in the press that BA had suspended 80 cabin crew and sacked a further 13 because of incidents relating to the dispute, including the intimidation of cabin crew who wanted to continue working. Further votes for strike action and legal wrangling to prevent industrial action continued until, after almost 18 months, the dispute was eventually resolved (in 2011).

But this was not the end of the story. BA made some concessions to the demands of existing cabin crew in order to end the dispute but created a new category of staff, called 'mixed fleet', as part of its ongoing strategy to reduce labour costs. All new recruits at Heathrow were appointed to mixed fleet on terms and conditions that were inferior to those enjoyed by existing cabin crew. A few years on, about one-third of all cabin crew were employed by mixed fleet and assigned to different routes. Prompted by complaints, Unite surveyed mixed fleet cabin crew and found that the disparity in terms and conditions was causing considerable dissatisfaction and some distress. In 2017, six years after the resolution of the first dispute, mixed fleet cabin crew confronted BA and embarked on a new long series of strikes.

Self-reinforcing sequences

Self-reinforcing sequences occur when a decision or action produces positive feedback that reinforces earlier events and supports the direction of change. This reinforcement induces further movement in the same direction. While self-reinforcing sequences can deliver benefits over the short term, change managers need to be alert to the possibility that they may draw them into a path that will deliver suboptimal outcomes over the longer term. This will be illustrated with reference to three drivers of self-reinforcing sequences: increasing returns, psychological commitment to past decisions, and cognitive biases.

Increasing returns

An important driver of self-reinforcing sequences is ‘increasing returns’, a concept that initially received attention from economists. Pierson (2000) traces early interest to Arthur (1994) and David (1985). They argued that a particular technology that is first to market or widely adopted by early users, for example the QWERTY keyboard and VHS video format, may generate increasing returns and achieve a decisive advantage over competing technologies, such as the Dvorak keyboard and Betamax video format, even though it may not be the most efficient alternative. Arthur (1994) points to four conditions that can promote increasing returns. These conditions are not restricted to the adoption and diffusion of new technologies, but apply to almost every aspect of organizational change:

1. *Setup costs*: Where these are high, there is an incentive to stick with a chosen option so as to spread costs over a longer run of activity. For example, following the implementation of a new business process, increasing returns from the initial investment (setup costs) are likely to be achieved if the new arrangements persist over a period of time.
2. *Learning*: Knowledge gained from repetitive use can lead to increased proficiency and continuous improvement. For example, organizational members learn by doing and the more they do, the more proficient they become. This learning provides a powerful incentive to continue down the same path because doing yet more of the same leads to increasing returns from exploiting these acquired competences. Switching to new ways of working might, at least in the short term, lead to diminishing returns while new competences are developed.
3. *Coordination*: The benefits received from a particular activity increase as others adopt the same option. Arthur (1994) observed that as more people bought VHS video recorders, video stores found it advantageous to stock VHS rather than Betamax tapes, which, in turn, encouraged more people to buy VHS recorders.
4. *Betting on the right horse*: People recognize that options that fail to win broad acceptance will have drawbacks later on, therefore they are motivated to select the option they think will be adopted by most others. They anticipate that persisting with this choice will generate increasing returns in the future.

Increasing returns contributed to the demise of Nokia (Example 1.3), because they led to a situation where the company stuck with a winning formula for too long rather than responding to new opportunities and threats as they emerged.

EXAMPLE 1.3 Increasing returns contributed to the demise of Nokia

Nokia was the world’s largest producer of mobile phones. Economies of scale, competences, especially in hardware design, and widespread consumer confidence all contributed to growing profits and market domination, but the consequence of this success was that the company focused its attention on exploiting what it was already good at. This led to Nokia missing the big new smartphone-led trend and to it being squeezed out of what quickly became the most profitable segment of the market. The company

responded to this worsening situation by announcing a new strategic direction, which involved a partnership with Microsoft to build a new mobile ecosystem. It also announced that the Windows Phone operating system (rather than anything Nokia had developed) would be its primary smartphone platform. Unfortunately, this move failed to rescue the situation and, in 2014, Nokia sold its handset division to Microsoft, refashioned itself as a telecoms equipment maker and has now re-emerged as a large telecom network provider (McKinsey, 2016). But that was not the end of Nokia-branded phones. In 2016, Microsoft Mobile sold the Nokia brand to HMD Global, a new company founded by a former Nokia executive, which now produces a range of Nokia phones.

Psychological commitment to past decisions

Another self-reinforcing mechanism is psychological commitment to past decisions. While most decision theories posit that individuals are prospectively rational and make decisions in order to maximize future benefit, Staw (1976, 1981) argues that, in practice, decision makers are often motivated by retrospective rationality and the need to justify past decisions. Staw (1976) observed that, when faced with negative outcomes following a decision, leaders may commit additional resources in order to justify the earlier decision and demonstrate the ultimate rationality of their original course of action. But the additional investment may not rescue the situation. Instead, it might lead to further negative consequences, which, in turn, trigger another decision to invest yet more in an attempt to secure a positive outcome. Staw refers to this negative cycle as the 'escalation of commitment' to a chosen course of action.

Hanging on to projects for too long is a common phenomenon. Koller et al. (2019) advocate proactive pruning. They argue that all too often executives are unwilling to let go of projects or business units that are underperforming. Example 1.4 illustrates how this tendency is not confined to well-established businesses. It is based on an account by Fuerst and Torkkeli (2019) of an attempt to establish a new business. After several setbacks and the departure of one of the two founders, the remaining founder persevered and continued to invest time, effort and financial resources in a venture that he eventually abandoned. In the context of this discussion, the issue is whether the surviving founder was so committed to the idea that he escalated his commitment beyond the point when it would have been sensible to step back, take stock and withdraw.

EXAMPLE 1.4 Flyclinic: a failed attempt to create an online medical tourism platform

An experienced businessman teamed up with a friend to create a new venture in Colombia. Their idea was to launch an online medical tourism platform that would link local hospitals and clinics with potential patients in the USA. Similar businesses operating elsewhere offered patients a comprehensive package that included travel and accommodation as well as medical treatments. The two would-be business founders decided to restrict their offering to the provision of medical treatments and to encourage patients to make their own travel and hotel arrangements. They felt that this would increase the appeal of their service to a wider clientele because it would give those who needed to economize the opportunity to select the most affordable flights and accommodation. It also had the added advantage of reducing the complexity of the service they aimed to provide.

Before finally committing to the venture, they spent time researching the concept of 'medical tourism' and refining their business idea. Eventually, they started to create the infrastructure of their envisioned business. They prioritized the design of their website, a key element of the business model. While they had both previously worked in IT, they decided that, given all that they had to do, they could speed things up by engaging the help of professionals. Unfortunately, they soon encountered their first setback. The website developers reported that they were unable to deliver all the functionality they had promised and suggested that a way forward might be for them to seek help from a more experienced freelance programmer. Progress continued to be slow and more expensive than anticipated so, after four months, they terminated their contract with the website developers and began to develop the website themselves, with help from the freelance programmer.

Around this time, family circumstances required the attention of the second partner, and this prompted him to withdraw from the business. This increased the workload for the first partner. He had to manage a worrying cash flow situation, seek support from new investors, sign up hospitals and clinics to provide the services he planned to offer, and attract paying customers from the USA. Nonetheless, he remained committed to launching the new venture as soon as possible.

After a frustrating and expensive delay, the website was finally ready and the remaining founder began to focus more of his attention on attracting investors. He targeted investors from the USA because he thought they would be better placed to open doors and promote the business to potential customers. Despite several expensive trips to the USA, he was unable to attract any new investment, but his visits did trigger the idea of paying third parties for patient referrals. This required further changes to the website to facilitate the payments to third parties. He decided to outsource this but, once again, he was let down and had to undertake the task himself, assisted by the freelance programmer he had used before.

This was not his last setback. When he tried to promote the website online, he discovered that it was not optimized for search engines. It was well over two years after embarking on the venture before the website was finally ready and achieving high ranking on important search engines.

But even then the business was not viable. Hospitals and clinics were reluctant to sign up as providers, and when a few did it was almost impossible to persuade individual doctors to advertise their services on the website. It also proved much more difficult than anticipated to attract potential patients. Before signing up, they wanted details about the services that would be available and information that would enable them to assess the competence of clinicians and the quality of the services they provided.

It proved impossible to resolve this problem and eventually the remaining founder decided not to proceed – a decision that could have been made much earlier.

Source: Example inspired by Sascha Fuerst and Lasse Torckeli



JUPITER GETTY

Gapper (2019) points to Sir James Dyson as an example of a businessman who is unsentimental about abandoning unsuccessful projects. He responded by quickly ending a new venture that was intended to draw on his company's expertise in battery systems, aerodynamics and high-tech manufacturing to develop a revolutionary electric car. He had planned to invest over £2 billion in the new venture but decided to cancel just before making a big new investment in the construction of a costly manufacturing facility.

Two factors appear to encourage the escalation of commitment. The first is change managers' need to demonstrate their own competence and justify an earlier decision. This can take the form of self-justification to protect their own self-image, or justification to others in order to prove to them that an earlier decision was not wrong. Sir James Dyson appears to have avoided these traps. Gapper (2019) reports that: 'He confessed to employees his regret at ditching a "fantastic car" in what was described as a "humbling U-turn".'

The second is a response to a perceived pressure for consistency. Staw (1981) argues that in many organizational settings, there is a perception that change managers who are consistent in their actions are better leaders than those who switch from one course of action to another.

These forces can encourage change managers to escalate their commitment to past decisions in the hope that this commitment will demonstrate that an apparent poor decision was actually a good decision when viewed over the long term. This self-reinforcing mechanism often makes it difficult to change course, even when those leading the change are aware that a series of past decisions have been suboptimal.

Cognitive biases and interpretive frames

A change manager's implicit theory about how things work and selective perceptions about what is important can give rise to cognitive biases and idiosyncratic ways of interpreting events, which can push them to develop and persist with visions and goals for change that may be unfit for purpose. Conger (1990) suggests that while those leading change need to make a realistic assessment of the opportunities and constraints in a situation and be sensitive to the needs and priorities of those who have a stake in the change, this may not happen. Those leading the change can become so committed to a project that they only pay attention to information that supports their own position. Edwards (2001) suggests that leaders have a tendency to classify decisions into categories by comparing immediate decisions with similar past decision scenarios. This encourages them to evaluate outcomes by focusing attention on only those attributes of the immediate situation that are consistent with the selected scenario category. Important but inconsistent information is ignored as they develop a mindset that restricts their attention to (only) those aspects of a situation they perceive to be relevant. Their failure to pay attention to inconsistent or negative feedback creates an illusion that they are acting effectively. This cognitive bias may be reinforced if change managers have a history of past successes, because a successful track record can promote a sense of self-belief and the perception that they are able to exercise sufficient control to achieve desired outcomes (see Chapter 5 for more on the 'trap of success'). Where a change is led by a cohesive leadership team, this self-reinforcing mechanism can be further strengthened if members suppress dissent and impede reality testing by engaging in what Janis (1972) describes as 'groupthink'. Example 1.5 provides an example of cognitive biases at work.

EXAMPLE 1.5 Unrealistic goals for change at Direct Banking

A successful Dutch-based telephone and internet bank (referred to here as Direct Banking) serves customers across much of Europe. Over the past 14 years, it has developed an organizational culture that values the customer and focuses everybody's attention on delivering exceptional customer service. Service centre staff are not restricted to narrow 'scripts' when talking to customers and are encouraged to develop relationships with them in order to identify and satisfy their needs. Over 85 per cent of Direct Banking's customers have recommended the bank to their friends and family, and the quality of its communication with customers has been a major factor contributing to its success.

Following a 10-year period of rapid growth, costs began to increase and margins were squeezed. A new CEO was appointed to tackle the problem. Soon after taking up his post, he brought in two new managers to replace two existing members of the bank's executive team. One of the displaced managers took early retirement and the other moved into a new role within the bank.

After being in post for just four weeks, the CEO informed the executive team that he wanted to introduce voice automation and routing (VAR). His vision was to drive down costs by using speech recognition-based technology to analyse inbound calls in order to identify callers, why they are calling and what kind of transaction they required. In those cases where full automation of the transaction was not possible, he argued that partial automation could provide an intermediate solution by collecting routine data (such as account numbers and the service required) and routing the call to a specialized agent who could complete the transaction.

The new CEO was respected for his outstanding past record of using technical innovation to drive down costs and increase margins and, since joining the bank, he made good use of already established internal communication channels to convince others that radical change was required to restore the bank's profitability. However, some senior managers, who had been involved for over a decade in developing the bank's outstanding reputation for customer service, informed the CEO they were worried that the proposed automation would damage the brand and do little to rescue the situation. They were particularly concerned because the new CEO had no previous experience of running a service-oriented brand. The new CEO listened but was not diverted from his chosen way forward. With the aid of his two new appointees, he managed the internal politics with considerable skill and convinced some of the doubters by suggesting ways in which the new technology could be adapted to increase its appeal to customers.

A project team was established and set to work. At an early stage, the team informed the CEO that the third-party vendor who was to provide the VAR technology felt that the plans to modify the system to address possible customer concerns were too ambitious. This feedback did little to modify the CEO's view and he persisted with his plan to implement VAR. It was not until relatively late in the change process that the CEO's assumptions about customer acceptance were tested. The results from focus groups with customers were so negative that it was obvious that implementing VAR would do serious damage to the brand. It was this belated feedback that eventually forced the CEO to revise his position and abandon the project.

Path dependence

An important feature of many self-reinforcing sequences is that early steps in a particular direction can produce further movement in the same direction and, over time, this process can constrain change leaders' freedom to construct and manage an effective change trajectory. Sydow et al. (2009) refer to this constraining process as 'organizational path dependence'. Path dependence begins with a critical event that triggers a pattern of self-reinforcing practices, which eventually squeeze out alternatives and limit a change manager's scope for action. Sydow et al. (2009) conceptualize path dependence as a three-phase process: preformation, path formation, and lock-in (Figure 1.2).

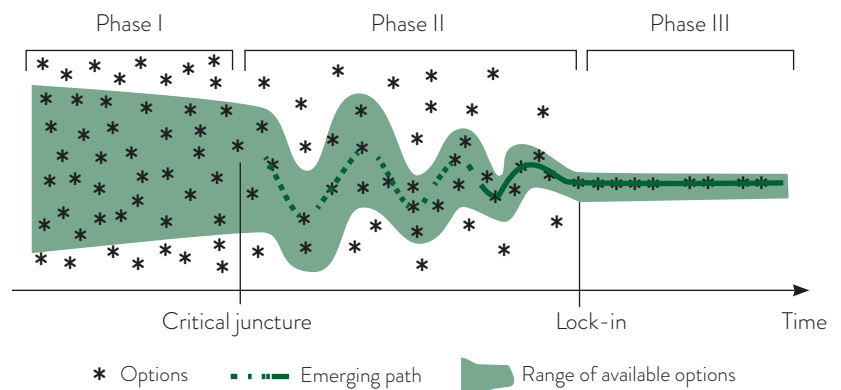


Figure 1.2 The constitution of an organizational path

Source: Republished with permission of the Academy of Management, from Academy of Management Review, 'Organizational path dependence: opening the black box', J. Sydow, G. Schreyögg and J. Koch, 34(4), 2009, p. 694; permission conveyed through Copyright Clearance Centre, Inc.

1. In the *preformation phase*, there are few constraints on change managers' freedom to act other than the organizations' established routines and practices. However, during this phase, one or more decisions or actions trigger a self-reinforcing sequence. This point is a critical juncture that marks the start of the second phase.
2. In the *path formation phase*, self-reinforcing sequences lead to the development of a pattern of events, decisions and actions that begins to dominate and divert change managers' attention away from alternative ways forward.
3. The *lock-in phase* is characterized by a further narrowing of options and the process becomes locked into a particular path. Schreyögg and Sydow (2011, p. 325) describe the most precarious feature of this stage as the risk of becoming dysfunctional as leaders lose the capability to adapt to new circumstances or better alternatives. They become locked into a particular way of functioning. When faced with more efficient alternatives or critical changes in the environment, established processes and practices persist and the system fails to adjust.

MINIMIZING THE IMPACT OF REACTIVE AND SELF-REINFORCING SEQUENCES

Sometimes, those leading a change are less effective than they might be because they fail to recognize some of the dynamics that affect outcomes, and so they do not always act in ways that will enable them to exercise as much control as they could over what happens.

Reactive sequences

When change involves different parties that are each seeking to pursue their own interests, then, depending on the balance of power, reactive sequences are likely to emerge. Often, reactions that are negative (from the point of view of the change agent's intentions) can be quickly detected but this is not always the case, especially when those who are unhappy with the emerging direction of change lack the confidence to voice their concerns, or have insufficient power to challenge events as they

unfold. In the short term, those affected by the change may comply with leaders' directions but, at a later juncture, they may develop the confidence or acquire the power to challenge the way the change is being managed.

Change agents can improve their effectiveness by scanning their environment for threats and anticipating resistance, or responding quickly when others fail to support their actions. Mangham (1978), drawing on earlier work by Goffman (1959), discusses how leaders, like actors, can assess their 'audience' prior to a performance. He refers to Goffman's observation that some actors use mirrors so that they can practise and become an object to themselves backstage, before going 'onstage' and becoming an object to others. In a similar way, change managers can anticipate how those affected by a change might react to events. Mangham even suggests that leaders can simulate several stages into a number of alternative futures, a form of mental chess in which various moves and their consequences can be tested. A stakeholder analysis, which draws attention to those who will be affected by or can affect the outcome of a change, assesses how much power they have to determine the course of events, and anticipates their attitude towards an event, can facilitate this testing (see Chapter 10).

Self-reinforcing sequences

A danger with self-reinforcing sequences, whether they are driven by increasing returns, a psychological commitment to past decisions or cognitive biases, is that they can undermine change managers' flexibility and their ability to adapt to changing circumstances (see the discussion of deep structures in Chapter 3). Schreyögg and Sydow (2011, p. 322) refer to self-reinforcing sequences as 'entrapping processes' and argue that a minimum condition for breaking out of the path dependency is the restoration of choice. Change managers need to do whatever they can to maintain an awareness of and the freedom to adopt alternative courses of action. Example 1.6 illustrates how self-reinforcing sequences locked Foxconn into a particular path of development.

EXAMPLE 1.6 Foxconn: how organizational path dependence is hindering attempts to diversify into the design and manufacture of low-volume, high-margin, high-tech products

Hon Hai, better known as Foxconn, was established by Terry Gou in 1974. It began manufacturing plastic parts for television sets before moving on to the assembly of electronic products such as laptops, tablets, smartphones and gaming consoles. This phase of the company's development resembled Sydow et al.'s (2009) preformation phase.

During this preformation phase, Foxconn was very successful and this success presented new opportunities that began to pull the company in a particular direction. As the global demand for electronic devices accelerated, companies such as Apple, Dell, HP, Huawei and IBM urgently needed to increase the speed of assembly of their products, and Foxconn was one of the companies they turned to. A number of firms were competing for this business and strong competition from the likes of Pegatron and Wistron pushed Foxconn into constantly seeking faster and more efficient ways of assembling products. The company focused on scale and constructed massive plants in China where, at the time, there was an abundant supply of low-cost labour, an attractive investment environment including incentives from Chinese local governments, the potential, soon realized, to develop a supply chain of firms that could supply panels, mouldings and other components, and easy access to international markets. This second phase of the company's development featured many of the characteristics of Sydow et al.'s path formation phase; self-reinforcing sequences and an unfolding pattern of events, decisions and actions that funnelled most of the company's activity towards the high-volume, low-margin assembly of electronic products.



Getty Images/gordenkoff

Foxconn continued to grow and is now the largest contract electronics manufacturer in the world. It has been estimated that the company employs over 1 million people, 90 per cent located in China. While it continues to assemble products for a range of companies, Apple has emerged as its biggest customer. A report in the *Financial Times* (Lex, 2019) suggests that 50 per cent of the company's revenue comes from Apple.

There have been attempts to diversify away from this high-volume, low-margin assembly and to reduce the company's dependence on Apple. These include Foxconn taking majority stakes in Japan-based Sharp, the Taiwan-based semiconductor equipment maker Marketech International and investing in companies such as AISpeech, a Chinese voice recognition startup. The aim of these moves has been to shift Foxconn into the manufacture of high-margin, high-tech products such as semiconductors for TVs and smartphone cameras, advanced chips for smart cars, medical appliances and the industrial internet of things.

There has been some movement in this direction but these new developments still account for a very small proportion of Foxconn's total revenue. In terms of Sydow et al.'s model, the company appears to be locked into a particular path that has been, and still is, dominated by high-volume, low-margin assembly. But high-volume, low-margin assembly might not provide a platform for the future success of the company.

Hille (2019) predicts that the seemingly insatiable demand for smartphones and other electronic devices, which have been a feature of the last few technical cycles, may be coming to an end. The impact of this slowdown on Foxconn has been accelerated by the effect of the US–China trade war on the sale of Chinese-produced smartphones in the USA. Another threat is artificial intelligence, which is leading a shift away from mass production towards a growth in the demand for the low-volume, high-margin, high-tech products such as those mentioned above.

Complex patterns

Sometimes, change unfolds as a pattern of punctuated equilibrium (see Chapter 3), which involves an alternation between self-reinforcing sequences, during which increasing returns and other forces promote the development of routines that narrow the scope for action, and reactive sequences where negative reactions and a hostile context can trigger discontinuities that push the change in a new direction. These self-reinforcing reactive cycles can be observed over different time periods, such as a few days, months or even years, and in relation to different processes, such as the development of interpersonal relations within a project team, the design of new products and services, and the formulation and implementation of a new business strategy.

Chapter 2 considers what leaders can do to improve the practice of change management and argues that change managers can learn to be more effective if they step back and monitor what is going on – paying particular attention to how others react to what they do and how their decisions impact on immediate and longer term outcomes – and use these observations to guide their behaviour.

SUMMARY

A review of the four process theories of change – teleological, dialectical, life cycle and evolutionary – revealed that they all view change as involving a number of events, decisions and actions that are connected in some sort of sequence, but they differ in terms of the degree to which they present change as following certain essential stages and the extent to which the direction of change is constructed or predetermined:

The ordering of stages: Some theories place more emphasis on the order of the stages than others.

Predetermined versus constructed trajectories: Life cycle and evolutionary theories present change as a predetermined process that unfolds over time in a prespecified direction. Teleological and dialectical

theories, on the other hand, view change trajectories as constructed, in the sense that goals, and the steps taken to achieve goals, can be changed at the will of (at least some of) those involved in the process.

The impact of sequence on outcome: Although teleological and dialectical theories suggest that members of a system have considerable freedom to construct change trajectories and assert that it is possible for them to break away from established routines and intentionally move the system towards redefined goals, this may not always be easy to achieve in practice.

Reactive sequences: In reactive sequences, subsequent events challenge rather than reinforce earlier events.

Self-reinforcing sequences: Self-reinforcing sequences involve positive feedback that reinforces earlier events and supports the direction of change. Three drivers of self-reinforcing sequences are increasing returns, a psychological commitment to past decisions, and cognitive biases.

This chapter has argued that in order to minimize any negative impact from reactive and self-reinforcing sequences, those leading change need to be able to step back and observe what is going on, including their own and others' behaviour, identify critical junctures and subsequent patterns – some of which may be difficult to discern – and explore alternative ways of acting that might deliver superior outcomes.

✓ EXERCISE 1.1 Identifying issues that change managers need to attend to

Working on your own (in your own time)

Reflect on your experience at work, or in any other organization (college, place of worship or club), and prepare a one-page description of a change that somebody tried to introduce. Points for consideration might include:

- *Timing:* Were the problems or opportunities that triggered the change recognized in good time? How did this affect the way the change was managed?
- *The 'what' of change:* Which aspects of the organization were the focus for change – were the correct targets for change identified and addressed?
- *The 'how' of change:* How was the change implemented and what were the strengths and weaknesses of the implementation strategy?

Working in a small group (ideally 4–6)

Share your stories with the other members of your group. You do not need to read your one-page note as a script. This was designed to help you think about the change. At this point, you can retell your story highlighting those points you feel were most important.

When everybody has told their story, reflect on what you have heard and try to identify those factors that seem to have had an important effect, for better or worse, on the outcome of the changes described by members. It is possible that some members of your group will identify a particular factor as something that helped to make the change a success, whereas others might identify the same factor as a problem. There is no need to agree about whether it helped or hindered. The important point is that you identify those factors that affected, in some way, the outcome of a change. When you have concluded your discussion, make a note of your findings for future reference.

Chapter 2 presents a model designed to help those managing change achieve a successful outcome. It identifies important issues and tasks that those leading change need to attend to. When you have read this chapter (or been introduced to the model and key tasks in class), revisit your list of factors and consider:

- Were all the key tasks identified in the model reflected in your change stories? For example, to what extent did your stories refer to diagnosis or sustaining change?
- Which core activities seemed to have been identified as most important? For example, how important was managing the people issues?
- Did your group identify important issues that are not addressed by the model presented in Chapter 2?

An alternative exercise, Managing a branch closure programme: an exercise in planning and managing the process of change, can be found on the book's companion website: bloomsbury.pub/hayes-change-management-6e.



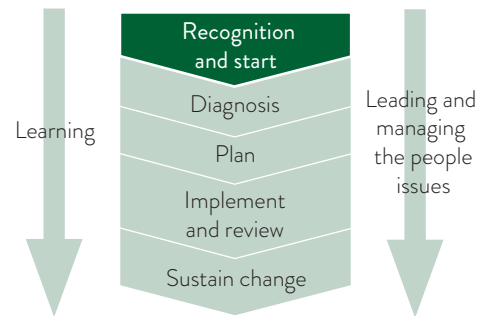
LEADING CHANGE: A PROCESS PERSPECTIVE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize those issues that change managers need to attend to if they are to secure desired outcomes.
2. Explain why the management of change can be conceptualized as a purposeful, constructed but often contested process.
3. Critically assess Lewin's contribution to the theory of change management.
4. Describe the seven core activities that need to be addressed if the change process is to be managed effectively.
5. Formulate questions that can help those leading a change to reflect on how well they are managing the process.
6. Explain why the change process is often iterative.
7. List some of the reasons why those leading a change might give insufficient attention to factors that can undermine the achievement of change goals.

This chapter builds on the ideas discussed in Chapter 1 and presents a process model based on teleological and dialectical theories that conceptualize change as a purposeful, constructed and often contested process. The model provides a conceptual framework that those leading change can use to identify the issues they need to address if they are to secure desired outcomes. The model can also be used to identify the kinds of questions that will help leaders reflect on how well they are doing and what else they could do to improve performance. Before reading on, you might find it useful to consider the following statements.



Do you agree with the following?	Yes	No	It depends
In periods of rapid change, organizations need to be fluid and adaptable, therefore, following the successful implementation of a change, those leading the process need to be careful not to institutionalize the new ways of working			
Sometimes, those leading a change get too bogged down thinking about how people might react rather than adopting a clinical approach and focusing on the technical aspects of what needs to be changed and what needs to be done to deliver the required changes			

Do you agree with the following?	Yes	No	It depends
When diagnosing what needs to be changed, the best place to start is reviewing the present state (to identify deficiencies) rather than focusing on what a more desirable future state might look like			
Managing change is best thought of as a linear, step-by-step process that involves addressing a sequence of distinct activities and fully attending to each one before proceeding to the next			
The most important step in the change process is implementing the proposed changes			

THE INTENTIONAL MANAGEMENT OF CHANGE

While leaders who recognize or anticipate shifts in their organization's external environment may be better placed to initiate change, recognition of a need (or opportunity) for change may not be sufficient to ensure that it will happen. Lewin (1951) provided some useful insights into the nature of change that are relevant for those who seek to intentionally change the status quo. He argued that the state of no change does not refer to a situation in which everything is stationary. It involves a condition of 'stable quasi-stationary equilibrium' comparable to that of a river that flows with a given velocity in a given direction. A change in the behaviour of an individual, group or organization can be likened to a change in the river's velocity or direction. For example, members of two groups in the marketing department might engage in competitive and collaborative behaviours when they come together in departmental meetings. The way they relate to each other reflects the current state of stable quasi-stationary equilibrium (the flow, in terms of Lewin's metaphor). The head of marketing might feel that, on balance, there is too much disruptive intergroup competition and insufficient friendly cooperation, and might decide to intervene in order to promote more constructive collaboration. In this example, they want to move the dynamics of the departmental meeting from one state of stable quasi-stationary equilibrium to another.

Lewin argued that any level of behaviour is maintained in a condition of quasi-stationary equilibrium by a force-field comprising a balance of forces pushing for and resisting change.

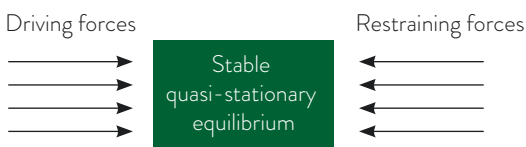


Figure 2.1 A force-field

Source: Inspired by ideas found in K. Lewin (1951) *Field Theory in Social Science*. Copyright 1951 by Harper & Row, New York.

This level of behaviour can be changed by either adding forces for change in the desired direction or by diminishing the opposing or resisting forces (Figure 2.1). Both approaches can result in change but, according to Lewin, the secondary effects associated with each approach will be different. Where change is brought about by increasing the forces pushing for change, this will result in an increase in tension. If this rises beyond a certain level, it may be accompanied by high aggressiveness

(especially towards the source of the increased pressure for change), high emotionality and low levels of constructive behaviour and can trigger a reactive sequence (see Chapter 1) that challenges the change agent's intention. On the other hand, where change is brought about by diminishing the forces that oppose or resist change, the secondary effect will be a state of relatively low tension.

Lewin's field theory led him to advocate an approach to managing change that emphasized the importance of reducing the restraining forces (a pull strategy) in preference to a high pressured approach that only focused on increasing the forces pushing for change (a push strategy). He argued that approaches involving the removal of restraining forces within the individual, group

or organization are likely to increase commitment and result in a more permanent change than approaches involving the application of outside pressure for change.

Lewin's three-step process

Lewin suggested that successful change requires a three-step process that involves helping an individual, group or organization:

1. unfreeze or unlock the existing level of behaviour
2. move to a new level
3. refreeze behaviour at this new level.

Unfreezing involves destabilizing the balance of driving and restraining forces. Kotter (1995) argues that the current state of equilibrium can be destabilized by alerting organizational members to the need for change. Creating a vision of a more desirable future state and providing information that creates a sense of urgency can weaken restraining and strengthen driving forces. Such action can motivate individuals and groups to let go of current ways of behaving and encourage them to search out more effective alternatives. Schein (1996) also points to how disconfirming people's assessment of the benefits of the current state can motivate learning and change.

Lewin's second phase, movement, is where the balance of driving and restraining forces is modified to shift the equilibrium to a new level. Although these forces can assume many forms, they tend to manifest in terms of behaviours that affect performance (Ford and Greer, 2006). Consequently, movement tends to be achieved by adjusting attitudes and beliefs, and modifying the processes, systems and structures that shape behaviour.

Refreezing involves reinforcing new behaviours in order to maintain new levels of performance and avoid regression. Feedback that signals the effectiveness and consistency of new behaviours and incentives that reward new levels of performance can help embed new practices.

Burnes (2004a, 2004b) has observed a tendency in recent years to play down the significance of Lewin's work for contemporary organizations. For example, Dawson (2003) and Kantor et al. (1992) argue that the notion of refreezing is not relevant for organizations operating in turbulent environments. They argue that organizations need to be fluid and adaptable and that it would be counterintuitive for them to be frozen into some given way of functioning. Lewin's point, however, is that all too often change is short-lived. In his view, it is not enough to think of change in terms of simply *reaching* a new state, for example achieving a short-term improvement in the level of collaboration in the marketing department's meetings. He asserted that permanency, for as long as it is relevant, needs to be an important part of the goal. This state may be brief and involve little more than taking stock before moving on to yet more change. It is important to think in terms of consolidation in order to minimize the danger of slipping back to the way things were before.

Hendry (1996, p. 624) testifies to Lewin's lasting contribution to change management, by noting: 'Scratch any account of creating and managing change and the idea that change is a three-stage process which necessarily begins with a process of unfreezing will not be far below the surface.' However, as Burnes (2004a) has observed, the strength of Lewin's contribution to the theory and practice of organizational change is when this three-step model is viewed as part of an integrated theory that includes field theory, group dynamics and action research (see Chapter 12). Research Report 2.1 presents the results of an empirical test of Lewin's theory and the three-step model of change. For a more detailed discussion and critique of Lewin's contribution, see Burnes (2020).

RESEARCH REPORT 2.1 A test of the validity of Lewin's three-step model

Ford, M.W. and Greer, B.M. (2006) Profiling change: An empirical study of change process patterns, *Journal of Applied Behavioral Science*, 42(4): 420–46.

Theory

This study compared profiles of activity at different stages of a change to investigate the validity of Lewin's three-phase model. Lewin's model implies that activities relating to unfreezing should be observable before activities relating to movement and refreezing. Unfreezing to destabilize the status quo needs to occur first otherwise the organization will be poorly prepared for change. Movement requires at least some old ways of doing things to be discarded in favour of new behaviours. It is only after these new behaviours have been established that refreezing will facilitate the stabilization of the organization at a new equilibrium. Ford and Greer argue that if such a progression or sequence exists, then intensity levels of factors linked to each of the three stages of Lewin's model should change as implementation proceeds. They make two hypotheses:

- 1. As implementation progresses, change process profiles will display higher levels of 'movement' and 'refreezing' factors.**
- 2. Change process profiles associated with higher degrees of implementation success will display higher levels of unfreezing, movement and refreezing factors than change process profiles associated with lower degrees of success.**

This second hypothesis relates to the levels of unfreezing-moving-refreezing activity associated with the degree of implementation success. Lewin's theory does not suggest that any of the three phases will dominate; for example, although refreezing occurs late in the change process, it is just as important as unfreezing, so it follows that implementation success will be associated with more intense use of all change process factors.

Method

After studying conceptualizations of change, Ford and Greer developed a set of change process factors that could be linked to Lewin's three phases:

- 1. Goal setting** was identified as a measure of *unfreezing*, on the grounds that it is an activity that challenges existing expectations and motivates an analysis and assessment of the organization's relationship with its environment. A three-item scale was developed to measure this factor.
- 2. Skill development** was identified as a measure of *movement*, on the grounds that moving an organization towards a new and improved state requires behavioural adjustment, and new behaviours require the development and delivery of new skills and competences.
- 3. Feedback and management control** were identified as measures of *refreezing*, on the grounds that refreezing requires confirmatory feedback and rewards to reinforce desired behaviours. Consistent with this need for feedback is the development of management control systems that monitor behaviour and keep the change on track.

A measure of implementation success was also developed and data were gathered from a cross-sectional sample of more than 100 managers involved in change implementation.

To test hypothesis 1, the data were split into four groups representing different levels of change implementation. Findings indicated that early in the implementation process, the usage of feedback and management control, that is, the refreezing variables, was significantly below that of the other change process variables. As implementation progressed, the usage of refreezing variables increased relative to the other change process variables. Movement activities also increased as implementation progressed, but to a lesser degree.

To test hypothesis 2, the data were split into three groups representing different levels of implementation success. Results indicated a highly significant overall difference across the outcome groups, with higher levels of usage of all process variables – goal setting, skill development, feedback and management control – being associated with implementation success.

A particularly interesting finding, pointing to the importance of sustaining change (discussed in Chapter 25), was that when the success of change implementation was low, the use of refreezing activities, such as feedback and management control, was significantly lower than in the change profiles associated with implementation success.

Ford and Greer's findings support the general progression from unfreezing to refreezing as theorized by Lewin. They also found, as implied by Lewin's framework, that organizations that achieve higher levels of implementation employ unfreezing, movement and refreezing activities at a higher level of intensity.

LEWIN'S LEGACY

Lewin's ideas have influenced the development of many process models of change management, five of which are briefly outlined:

1. Lippitt et al. (1958) expanded Lewin's three-stage model. After reviewing descriptions of change in persons, groups, organizations and communities, they felt that the moving phase divided naturally into three substages. These were:
 - The clarification or diagnosis of the client's problem
 - The examination of alternative routes and goals, and the establishment of goals and intentions for action
 - The transformation of intentions into actual change efforts.

They also argued that change managers can only be effective when they develop and maintain an appropriate relationship with those involved in or affected by the change. This led them to introduce two further stages into the helping process, one concerned with the formation and the other with the termination of relationships. Termination has to be managed carefully if the momentum for change is to be maintained.

2. Egan (1996) developed a similar model based on Lewin's three stages of unfreezing, moving and refreezing, but it focuses most attention on the unfreezing and moving phases, with detailed consideration being given to the assessment of the current scenario (diagnosis), the creation of a preferred scenario (visioning), and the design of plans that move the system from the current to the preferred scenario (planning for change).
3. Beckhard and Harris (1987) presented a three-stage model that focuses on defining the present and the future, managing the transition, and maintaining and updating the change. Special consideration is given to some of the issues associated with the moving or transitional stage, including the need for transitional arrangements, such as the appointment of a transition manager and the development of transition plans, and the gaining of commitment from key stakeholders. They also consider the conditions required to maintain the change.
4. Bridges (1991) conceptualized personal transitions such as promotions, transfers, role changes or redundancy as a three-stage process that begins with an ending and moves on to a new beginning via what he refers to as a 'neutral zone'. He argues that it is difficult for individuals to fully engage in a new role or have a new purpose until they have let go of their old role or purpose. But letting go is not always easy. While changing circumstances might generate driving forces for change, these might be more than matched by restraining forces that give rise to resistance and a denial of the need for change.
5. Bhavé's (1994) model of entrepreneurial venture creation (see [Figure 24.1](#)) highlights the importance of the entrepreneur's readiness for change. It also identifies many of the issues that have to be managed (in the moving phase) to implement plans and launch the new venture, and

what the entrepreneur needs to do to consolidate the change and sustain the new enterprise. According to Bhavé, venture creation involves three key stages:

- *The opportunity stage:* triggered when somebody discovers a business opportunity or decides that a conventional career as an employee working for somebody else is not for them, so they embark on a search for an opportunity. It involves the identification of a business opportunity, the development of a business concept and the commitment to create a new business venture. This can be a time-consuming stage but it typically relies on the entrepreneur's own resources and can often be pursued part time.
- *The technology setup and organization creation stage:* begins when the budding entrepreneur commits to venture creation and starts to develop plans and create the infrastructure for the new venture. It is a significant transition point. Developing a product or service not only takes time, it can be expensive and beyond the entrepreneur's private means. It requires the creation of an organization, access to expertise and/or some form of technology and, often, to external finance. The greater the novelty of the product or service, the higher the development costs can be. Novelty also affects marketing costs (in the next, exchange stage) because it can be more difficult to persuade customers to buy an unfamiliar product or service.
- *The exchange stage:* involves the implementation of plans and getting the product or service to market.

Bhavé also draws attention to the importance of reviewing the process. He identifies the importance of attending to strategic and operational feedback. Strategic feedback can signal discrepancies between the entrepreneur's perception of what the customer wants and the reality of what the customer actually wants, and point to the need to revise the business concept. Operational feedback can signal a need to improve the quality of the product or service, which could require a change to production technology or distribution channels or a need for additional or altered product features.

These models highlight the importance of:

- *Building relationships* between change agents and those affected by the change or those who could affect the change outcome.

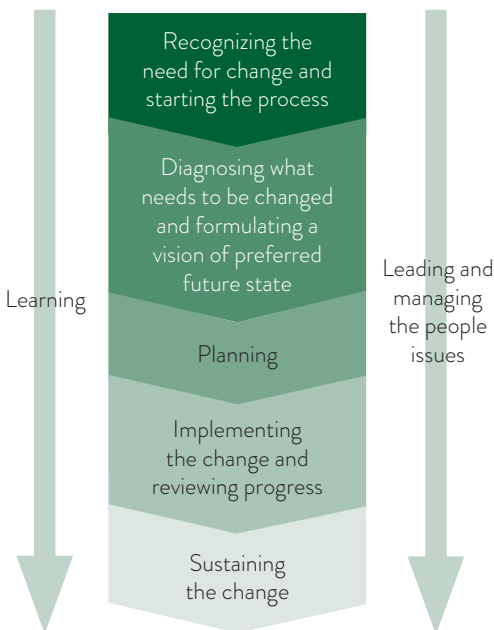


Figure 2.2 The change process

- *Diagnosing:* attending to the threats and opportunities, to where the organization is now and the desired outcome.
- *Planning:* working out how to achieve the change goal.
- *Implementing:* translating intentions into actual change efforts.
- *Maintaining:* holding on to the gains.

KEY ELEMENTS IN THE PROCESS OF CHANGE MANAGEMENT

The model presented in Figure 2.2 builds on and synthesizes these ideas and conceptualizes managing change as a purposeful, constructed and often contested process that involves attending to seven core activities. As noted in Chapter 1, these activities are presented as separate elements of the change process because the decisions and actions associated with them tend to dominate at different points and there is a logical sequence connecting them, but in practice the boundaries are not always clear-cut and the sequence can be iterative, in the sense that some activities (such as diagnosis) can be addressed more than once. Also, some issues can be addressed

simultaneously with others. For example, learning can occur at any or every point in the process and people issues need to be addressed throughout.

Recognizing the need for change and starting the change process

This process begins with the recognition that both external events and internal circumstances can play a large role in shaping and determining change. External events might be of a political, economic, social, technological, legal or ecological nature (such as the introduction of regulations to control emissions from internal combustion engines); while internal circumstances might include the retirement of key staff or the development of a new product. Recognition involves complex processes of perception, interpretation and decision making that, if not managed carefully, can lead to inappropriate outcomes, for example the organization might fail to change when it needs to or it may change when change is not required.

Leaders sometimes fail to recognize the need for change because they pay insufficient attention to what is happening in the wider environment. Even where organizational members are aware of what is going on outside, they may fail to recognize the implications this could have for their organization.

One way of challenging accepted ways of thinking is to involve new people in the formulation of the change agenda. Often, this activity is restricted to senior managers at the top of a department or the organization, but people located at multiple levels in the hierarchy, for example members of the sales team, customer service staff or those who have close contact with suppliers, may be better informed about emerging threats and opportunities.

Following recognition of the need for change, the next step involves translating the need into a desire for change. Leaders often underestimate how hard it can be to drive people out of their comfort zones. Creating a readiness to change involves alerting organizational members to the need for change and motivating them to let go of the status quo (Lewin's unfreezing stage). Many factors can make this difficult, including a history of past success and the lack of an immediate crisis. Change managers might respond to this situation in different ways but many factors will affect whether a particular response will be effective. If, for example, the need for change is urgent (maybe because leaders were slow to recognize an emerging threat), there may be insufficient time to involve others or to experiment with alternative solutions. Change managers may feel that their only option is to adopt a more or less directive approach. In some circumstances, this may work but in others it may be resisted and organizational members may react in ways that block the change. However, in different circumstances, for example where those leading the change have recognized the need for change in good time, they may feel able to consider alternative actions, including involving others in a preliminary diagnosis in order to create a shared perception of the need for change.

It is also important to decide who will be involved in managing the change. Kotter (1995) argues that unless those who recognize the need for change can put together a strong enough 'guiding coalition' to direct the process, the change initiative is unlikely to get off the ground. He suggests that while this guiding coalition does not have to include all senior managers, it is much more likely to succeed if, in terms of titles, information, experience, reputations and contacts, it is seen to signal a real commitment to change. In terms of background and experience, Clegg (2000) observes that it is often assumed that the lead should be a technical expert rather than the manager who will be responsible for making the change work post-implementation. He challenges this assumption and argues that unless users play a central role in managing the process, implementation may not be as successful as change managers anticipate.

Attention also needs to be given to building effective relationships between change agents and those affected by the change to ensure that there is a sufficient level of trust and understanding between all those involved. Early stages of this relationship building are important because people quickly form impressions about the change agent's competence, ability to help and motives.

This discussion illustrates that, from the perspective of leading change, early events in the process can be particularly important. A failure to identify a need for change or an ill-considered decision or action can set in motion a chain of reactions and counter-reactions and/or self-reinforcing sequences that can accumulate over time to impact the direction of change and produce unintended consequences.

Some questions that might help leaders reflect on how they are managing this stage of the process are presented in [Figure 2.3](#) at the end of the chapter.

Diagnosing what needs to be changed

This stage in the process involves:

1. Assessing problems and opportunities, developing new perspectives, and choosing high-impact problems or opportunities for attention.
2. Developing a range of possible futures and evaluating alternative possibilities to establish a viable agenda for change.

Although reviewing the present and identifying the future state may, at first sight, seem to be separate and distinct activities, they are often integrated in practice. These two steps frequently go through several iterations, progressing from broad concepts towards a vision of a more desirable state that is sufficiently concrete and detailed to be implemented. There is some debate about whether the process should start with looking at the present or the future. The argument for starting with the present is to ensure that the change is not conceived as a ‘utopian leap’ to an unrealistic future that cannot be reached from the current situation. On the other hand, focusing too heavily on the present may limit horizons and lead to the goals for change being too cautious and constrained by current experience.

The goals for change are embedded in a vision of a more desirable state. The quality of this vision can be affected by those responsible for the diagnosis. They need the knowledge and experience – including knowledge of the local situation – to diagnose all the issues and envision an end state that will be acceptable to all the stakeholders who can affect how the change will unfold. This is important because a vision of a more desirable future state can provide a focus for attention and the mobilization of energy and effort.

Despite the obvious importance of the vision, those leading the change sometimes have a vested interest in promoting a particular outcome, or they lock on to the first vision they generate, and in so doing lock out the possibility of considering alternatives. The first vision may not be the best, either in terms of the desirability of the envisioned end state or its power to motivate those who need to be engaged with the change; for example, the flawed vision championed by the new CEO of Direct Banking in [Example 1.5](#).

The way the diagnostic stage is managed can affect whether or not the need for change is translated into a desire for change. Schein (1996) argues that organizational members are more likely to be motivated to let go of the status quo and seek a more desirable state if:

- the diagnostic process disconfirms their view that all is well with the existing state of affairs
- this challenge produces a sufficient level of anxiety to motivate organizational members to search for new possibilities
- the vision of what might be offers sufficient promise to make the effort of changing worthwhile.

Summarizing the essence of these three points, Schein (1996) argues that unless the unfreezing process offers a promise of psychological safety, with either some benefit or, at worst, a minimal threat to their wellbeing, any disconfirmation suggested by the diagnostic phase will be denied or defended against and those involved will not be motivated to change.

This discussion of how diagnosis can help unfreeze a situation and help create a readiness for change illustrates a point made earlier that the boundaries between the stages presented in [Figure 2.2](#) are not

clear-cut. Diagnosis has a role to play in the recognition of problems and opportunities and, later in the process, implementation and reviewing change can also contribute to an unfolding diagnosis as new problems and opportunities are identified.

Some questions that might help leaders reflect on how they are managing this stage of the process are presented in [Figure 2.3](#).

Planning and preparing for change

The planning stage is concerned with working out and articulating how the change goals will be achieved. Those leading the change sometimes give insufficient attention to this. When discussing Lewin's contribution to change management, Burnes (2004a) observes that, following unfreezing, change managers need to explore possibilities for movement by reviewing all the driving and restraining forces at work. This further emphasizes the point that, to some extent, diagnosis is embedded in every step of the change process.

The choice of the overall change strategy, whether push, pull or a blend of both, is important because it can have a big impact on the outcome of the change. Consideration also needs to be given to the types of interventions that will be most effective. A number of different ways of intervening to secure change are considered in Chapters 12 and 13. Attention also needs to be given to the many details that will have to be attended to in order to achieve the desired change. There will be different lead times associated with the various tasks, interdependencies between them and resource and other constraints. Poor decisions at this stage can have implications later on. For example, in those situations where key resources are scarce, an early decision to commit resources to one course of action may limit the possibility of switching direction later because, once committed, the resources might not be reusable for another purpose.

It is possible to engage in more detailed planning when the type of change in question is what is sometimes referred to as a 'blueprint' change. Blueprint changes are those where the end point can be specified in advance. Typical examples of a blueprint change include relocation, computerization of a business process, or the introduction of a new appraisal or grading system. In these circumstances, it is easier to anticipate what needs to be done, and the management of change can be viewed from the perspective of a 'planned change' that involves a more predetermined linear process – following step by step the successive stages in the model presented in [Figure 2.2](#).

Often, however, it is not possible to specify the end point in advance of implementation. While a need for change might be recognized, for example because the organization is losing market share or failing to innovate as fast as its competitors, it may be less obvious what needs to be done to improve matters. There may be a broadly defined goal and a direction for change, for example improving competitiveness, but it may not be possible to provide a detailed specification of what this end state will look like or what needs to be done to achieve it. In some situations, it may not even be helpful to think in terms of specific end states, because the rate of change in the operating environment may be such that the precise definition of a desirable end state may be subject to constant revision. In these circumstances, a blueprint approach to change is inappropriate. Planning needs to be viewed as a more open-ended, iterative process that emerges and evolves over time. As plans are implemented, they are tested before further steps are planned.

It is important that change managers do not simply view planning from a technical perspective. Careful attention also needs to be given to people issues. Plans need to address the extent to which people are ready for and accepting of change and whether the process threatens them in any way. Change managers also need to adopt an ethical perspective (see Chapter 18) throughout the whole process and endeavour to act in a responsible way when visioning outcomes, planning how they can be achieved and when acting to implement the change.

Some questions that might help leaders reflect on how they are managing this stage of the process are presented in [Figure 2.3](#).

Leading and managing the people issues

Those leading change sometimes approach issues when developing and implementing plans for change from a purely technical perspective and give insufficient attention to what some refer to as the 'softer' people issues, such as:

- different goals and priorities
- the way leaders relate with the intended recipients of change
- internal politics and the power of stakeholders to affect outcomes
- ethical ways of influencing others to achieve desired outcomes
- communication
- trust
- motivation and commitment
- support for those who will be affected by the change.

The Triumph case in the Introduction to Part V provides a good example of how issues such as communication, motivation and stakeholder management can affect the success of a change project, in this case the sourcing of components from cost-competitive countries.

The issues presented in [Figure 2.2](#) above, such as recognizing the need for change, diagnosing what needs to be changed and developing plans for change, are not benign activities. Stakeholders may resist any attempt to even consider the possibility that change might be required, fail to cooperate with managers in the formulation of plans for change, and work hard to block a change that is being implemented. Nadler (1987, 1993) refers to the importance of shaping the political dynamics of change and motivating constructive behaviour, an issue that is addressed in Chapter 17.

Some questions that might help those who are leading the change reflect on how they are managing this aspect of the change process are presented in [Figure 2.3](#).

Implementing change and reviewing progress

Whatever has been planned now needs to be implemented and the focus shifts from planning to action. Often, change plans are not implemented as intended because change managers fail to give sufficient attention to managing the people issues. Even though a change manager may see obvious benefits from the change for the organization as a whole, individual organizational members may see little benefit for themselves and this will affect their motivation to support or resist the change. Careful attention needs to be given to communicating the change, motivating individuals and groups to support the change, and managing stakeholder interests.

Attention also needs to be given to reviewing the change and monitoring progress. Change often involves much backtracking. Burke (2002) argues that the change process is often more like a series of loops rather than a straight line, reflecting the reality that things rarely progress as planned, and even when plans are implemented as intended, there are often unanticipated consequences. Change managers frequently report that they constantly have to 'fix things' to keep the change on track. It was noted above (when discussing planning) that, in some circumstances, change involves taking tentative incremental steps in, what it is hoped is, the right direction and, after each step, reviewing the step itself to establish if it worked and if the direction still holds good. Seeking out and attending to feedback is essential if leaders are to monitor whether the change plan is working.

Change managers need to be alert to the possibility that while planned interventions may be being implemented as intended, they may not be producing the anticipated effect. This could be because of factors such as a lack of commitment and motivation on the part of those immediately affected by the change, reward systems that penalize new behaviour, inflexible organizational structures, a lack of political support from those in a position to sabotage the project, or insufficient

resources. It could also be that some of the initial benefits that were derived from early steps in the implementation may evaporate as path-dependent behaviours lead to rigidities that narrow the scope for action. Feedback on how the change is progressing can signal a need to think again about the change plan and the way it is being implemented.

All too often, those leading the change fail to deliberately seek out available feedback and only realize that the change is producing unintended consequences when some third party or unplanned happening draws it to their attention. Example 2.1 illustrates this point.

EXAMPLE 2.1 A failure to recognize unintended consequences at Concrete Flags Ltd

Concrete Flags Ltd, a successful medium-sized enterprise, adopted a new business strategy, which involved a shift from manufacturing concrete paving stones (flags) for builders' merchants, DIY outlets and garden centres to providing end consumers with their 'dream patio' delivered direct to their home on a pallet. This shift required a new approach to marketing and the design and installation of a more automated production technology.

Before the change, the company had manufactured a limited range of concrete flags in batches using a basic process that relied on a large input of low skilled labour. While reliable it was costly, because batch production required the company to hold large inventories of different flags. The new strategy required the company to develop the capability to manufacture a wider range of concrete flags. Taking into account variations in shape, size, colour and texture, the company aimed to manufacture 150 different products on demand. Managers worked with a supplier to design the new automated production system that could quickly switch between products in order to satisfy customers' requirements without the need to hold large stocks. The plan was to install and test one machine first and then purchase additional equipment as the new strategy generated additional demand.

The equipment was installed on time and appeared to be performing well, but it was not long before managers became aware that production targets were not being met. They identified the problem as wet concrete sticking in the weigh boxes. The supplier acknowledged a minor design fault that was quickly rectified.

It was while they were modifying the equipment that the supplier discovered, and reported to managers at Concrete Flags, that operators had attempted to keep the machine running by hitting the weigh boxes with a large hammer. It appeared that this crude method of moving wet concrete had worked well enough with the old (less sophisticated and more robust) equipment, but it had caused damage to the new machine. This feedback alerted managers to an important misalignment between the new equipment and the operators' knowledge and skills. They responded by arranging a number of training sessions, which led to an immediate improvement in the way they operated and maintained the new equipment.

Within a short while, another problem emerged. Achieving the vision of delivering tailor-made patios-on-pallets direct to end users included providing them with a booklet containing laying instructions. Unfortunately, the importance of this booklet had not been explained to the workers, who still defined their role as making concrete paving stones. On investigation, managers found that the workers regarded inserting the booklet before the pallet was shrink-wrapped as an unnecessary complication. It was just a bit of paper. When supplies ran out, they had continued to dispatch patios-on-pallets without the laying instructions. Managers had been unaware of this problem until customers began to complain that they had not received the promised booklet. At this point, managers also became aware of another problem. Workers felt that the introduction of the new, more efficient machinery threatened their job security.

These discoveries led managers to appreciate that while they had given a lot of attention to developing a new marketing strategy and designing and installing the new equipment, they had given relatively little attention to how the change would affect the operators. They had not consulted or reassured them about the change. Managers had assumed that they would

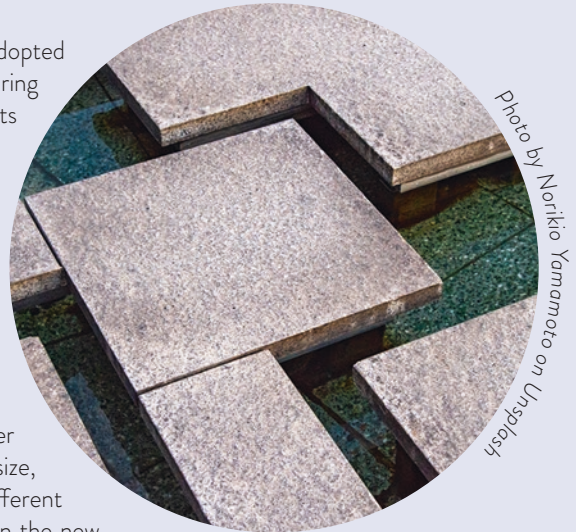


Photo by Noriko Yamamoto on Unsplash

welcome it, but they were wrong. The operators saw it as a ‘management ploy to make money’, which threatened their job security. Nobody had informed them that the plan was to purchase additional machines and increase production, thereby safeguarding jobs.

Many of the corrective actions required to keep the change on track had been prompted by unsolicited feedback from the suppliers of the new equipment and from customers. One of the lessons learned by managers at Concrete Flags was that they could have done much more to communicate the change and deliberately seek out feedback that would have made it easier to monitor how the change was being implemented.

This example is elaborated on in Chapter 27 to illustrate how managers can reflect on their past actions to improve their practice of change management.

Even when change managers recognize the importance of reviewing and monitoring progress, they might still encounter difficulties because the necessary information is unavailable or difficult to use. One reason for this is the fragmentation of the change process. Clegg and Walsh (2004) cite the example of software design, where the typical process involves stages of strategy, feasibility, conceptual design, detailed design, programming, implementation, use and maintenance. Each of these stages tends to involve different people who often have different goals and priorities. This fragmentation undermines the feedback process. One group may nudge the project in a particular direction and not recognize a need to inform others about this, or may confront and address a problem without recognizing the implications of their actions for end users. Even when they are aware that others may need to know, they may not always identify who should be informed, and those who are informed may not recognize the significance of what they have been told. Clegg and Walsh observe that this lack of continuity and feedback can make it difficult for those involved in the change process to influence and learn from one another. Chapter 24 considers some of the tools that can help facilitate this review process.

Coordination is important. All those who have a leadership role need to promote alignment and communicate with others in ways that will inspire them to work together to support the change. It is not unusual for ‘expert’ change agents to decide when and where change is required and to define change objectives without taking into account the concerns of stakeholders or recognizing the ways in which they can contribute to or sabotage the change process.

Some questions that might help leaders reflect on how they are managing this stage of the process are presented in [Figure 2.3](#).

Sustaining change

Lewin (1951) argued that change is all too often short-lived. After a ‘shot in the arm’, life returns to the way it was before. In his view, it is not enough to think of change in terms of simply reaching a new state. Attention needs to be given to sustaining this new state *for as long as it is beneficial to do so*; this caveat is important because there are circumstances where, because of new developments, it may not be beneficial to continue to maintain a change.

Sustainability can be affected by many factors. One is the way the whole change process is managed from the beginning. Tough top-down (push) strategies are more likely to foster compliance, which can evaporate when the pressure to maintain the change is eased, whereas more involving (pull) strategies can win a higher level of commitment that is more likely to be sustained.

Another factor is how leaders act after initial change goals have been achieved. Just because a change goal has been achieved and is delivering improved outcomes does not mean that it has become the new norm. Kotter (1995) cautions against declaring victory too soon because he believes

that this can kill momentum before the thinking and attitudes required to support the new way of working have been embedded. Sustaining change is considered in more detail in Chapters 25 and 26.

Some questions that might help leaders reflect on how they are managing this stage of the process are presented in [Figure 2.3](#).

Learning

Effective leaders are those who can learn from their experience and utilize this learning to modify their behaviour in order to improve their performance.

Those leading change can learn to be more effective if they step back and monitor what is going on, paying particular attention to how others react to what they do and how their decisions impact immediate and longer term outcomes, and use these observations to guide their behaviour. But all too often this does not happen, because leaders:

- are so bound up in a frenetic range of activities that they have little time or no opportunity for observation and reflection
- are so committed to a course of action that they fail to recognize evidence that challenges their worldview
- harbour beliefs about the competence and motives of others that makes it easy for them to dismiss their feedback
- are insulated from information about the impact of their decisions by organizational structures, policies and management practices that impede upward communication and foster a climate of organizational silence (see Morrison and Milliken, 2000)
- are so bound up in and entrapped by a path that progressively limits their scope for decision making that they become path dependent to the exclusion of path-breaking behaviour, because they are too involved to adopt an outward-looking perspective.

Leaders need to be aware that these barriers can make it difficult for them to disengage from an immediate 'doing' mode; they need to work hard to adopt an 'observing' mode and bring a critical perspective to bear on their everyday practice.

When managing change is viewed as a process and when events, decisions, actions and reactions are seen to be connected, leaders are more likely to be able to take action and intervene in ways that can break inefficient patterns and move the change process in a direction that has a higher probability of delivering superior outcomes.

[Figure 2.3](#) (overleaf) summarizes the model, displays the seven elements of the process, and highlights examples of questions that those leading the change might consider in order to help them reflect on how well they are doing and what they could do to improve their performance. The way in which Chapters 1–28 relate to this model is presented in [Figure 1.1](#) in the Introduction to Part I.

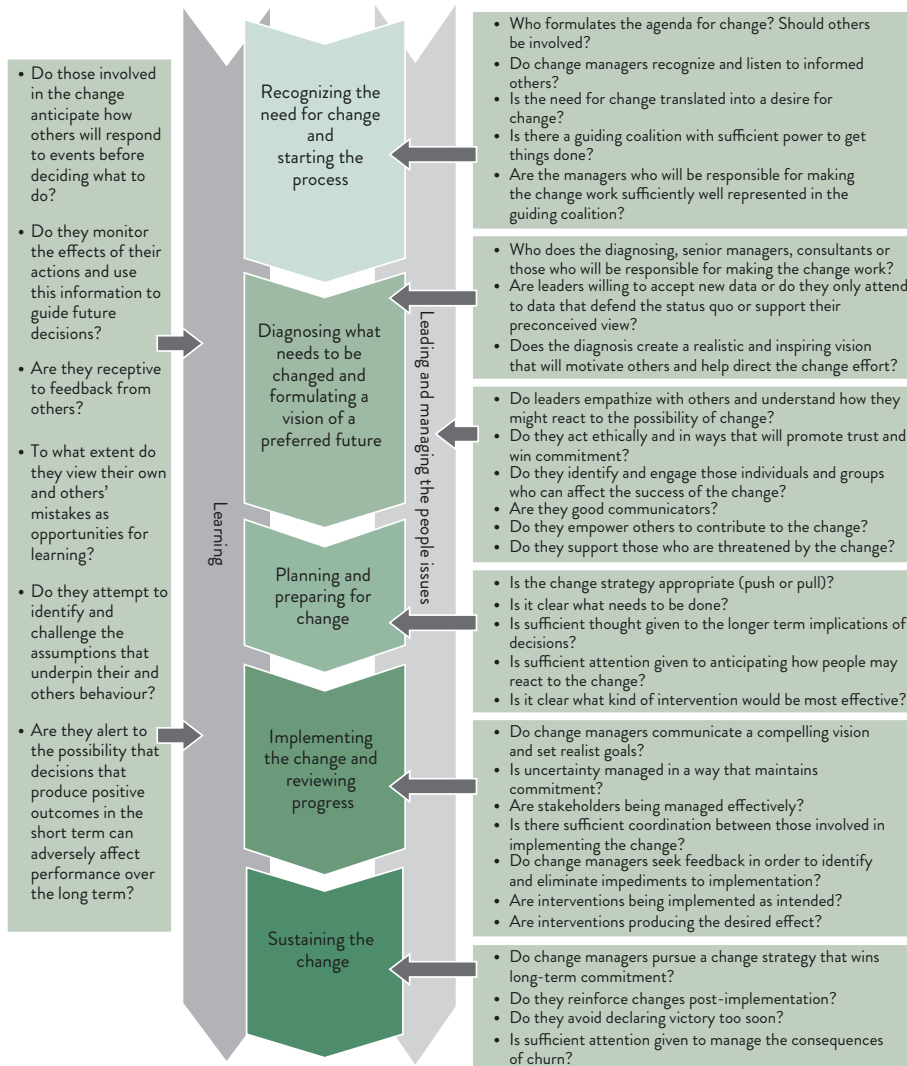


Figure 2.3 Questions to be considered at each stage in the process

SUMMARY

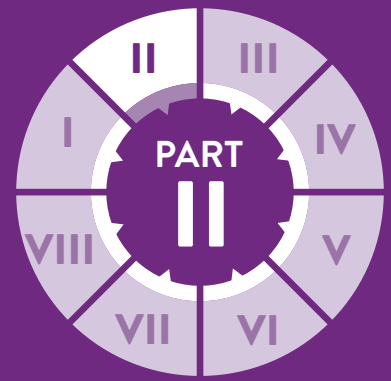
This chapter builds on the ideas discussed in Chapter 1 and presents a process model of change that draws on teleological and dialectical theories. It provides a conceptual framework that those leading change can use to identify the issues they need to address if they are to secure desired outcomes. It can also be used to identify the kinds of questions that will help them reflect on how well they are doing and what else they could do to improve performance.

The model conceptualizes the management of change as a purposeful, constructed but often contested process that involves attending to seven core activities. These activities are presented as separate elements of the change process because the decisions and actions associated with them tend to dominate at different points in the process and there is a logical sequence connecting them. However, in practice, the boundaries are not always clear-cut. The change process is often iterative, in the sense that some issues (such as diagnosis) can be addressed more than once. Also, some issues can be addressed simultaneously with others.

When managing change is viewed as a process and when events, decisions, actions and reactions are seen to be connected, those leading the change are more likely to be able to take action and intervene in ways that can break inefficient patterns and move the change process in a direction that is more likely to deliver superior outcomes.

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RECOGNIZING THE NEED FOR CHANGE AND STARTING THE CHANGE PROCESS



INTRODUCTION TO PART II

Part II takes a closer look at recognizing the need for change and starting the change process.

Chapter 3 Patterns of change

In order to survive and prosper, all systems – whether they are work groups or entire organizations – need to recognize and respond to changes that can affect the availability of inputs or the demand for outputs. Some systems are much better at this than others. They are proactive and search out potential threats and opportunities. They prepare for destabilizing events that might occur, and they actively seek out possibilities that could provide a competitive advantage. Others are much more reactive and only respond when there is a clear and pressing need to respond.

Until recently, almost all received models of change were incremental and cumulative. These models assume that organizations adapt to opportunities and threats by engaging in a process of continuous adaptation. The gradualist paradigm describes this response. The way most organizations respond to changing circumstances is best described by the punctuated equilibrium paradigm.

The essence of punctuated equilibrium is that systems evolve through the alternation of periods of equilibrium, in which persistent ‘deep structures’ only permit limited incremental change, and periods of revolution, in which these deep structures are fundamentally altered.

This chapter identifies four types of change – depending on whether they are reactive or proactive and incremental or continuous – and discusses their implications for change management.

Chapter 4 Sources of change

Chapter 4 reviews a range of external and internal sources of change. Political, economic, sociocultural and technological factors can be important external sources of change.

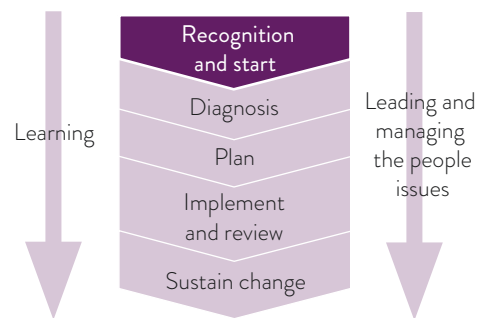
Different kinds of innovation, which can be internal or external triggers for change, are considered and special attention is given to three types of disruptive innovation.

The final part of the chapter assesses the utility of Greiner’s life cycle model for identifying internal pressures for change and considers the interplay between internal and external factors.

Chapter 5 Recognizing a need or opportunity for change

Chapter 5 explores some of the issues that affect an organization’s ability to recognize the opportunity or need for change.

Sensing a need for change and formulating a change agenda begin when individuals notice and respond to what they perceive to be significant external or organizational events. Discrepancies between actual and desired levels of



performance signal a need for change but problems can arise when discrepancies are not recognized because attention is restricted to a narrow range of indicators. This chapter reviews some of the indicators that need to be monitored.

Chapter 6 Using value innovation to proactively identify opportunities for change

Often the debate about external sources of change is dominated by a consideration of threats. Value innovation, based on Kim and Mauborgne's blue ocean thinking, offers managers a proactive approach that they can use to identify opportunities for change. It not only provides them with a practical framework for identifying and capturing new market space but also a set of analytical tools (the strategy canvas, value curves and the four actions framework) they can use to identify promising opportunities.

Chapter 7 Starting the change

Chapter 7 considers some of the issues associated with starting the change process. Most important is translating the need for change into a desire for change. Organizational members are not powerless pawns, unable to affect change, but independent actors able to intervene in ways that can make an important difference. To do this, they need confidence in their own ability to affect outcomes, the motivation to pursue change, concepts and theories that will help them understand and manage the change process, and a range of change management skills.

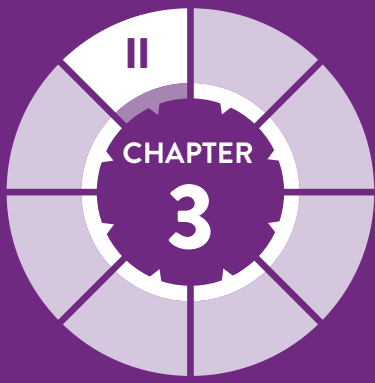
A second issue that must be addressed is deciding, at least in the first instance, who will lead the change. There is some evidence suggesting that change efforts are most successful when led (pulled) by users rather than (pushed) by technical experts. The impact of confidence and trust on the quality of the change relationship is also considered.

✓ EXERCISE PART II Useful questions for reviewing your approach to recognizing the need for change and starting the change process

In Chapter 2, after discussing each stage in the process model of change management, your attention was drawn to a number of questions that might help you assess how well a change is being (or was) managed. All these questions are summarized in [Figure 2.3](#), and the questions relating to recognizing the need for change and starting the change process are listed below:

- Who formulates the agenda for change? Should others be involved?
- Do change managers recognize and listen to informed others?
- Is the need for change translated into a desire for change?
- Is there a guiding coalition with sufficient power to get things done?
- Are those who will be responsible for making the change work sufficiently well represented in the guiding coalition?

Reflect on and review these questions and, after reading the five chapters in Part II, revise this list and generate your own set of useful questions that you might find it helpful to refer to when you are leading a change.



PATTERNS OF CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize patterns of change and identify their implications for change management practice.
2. Explain the importance of internal and external alignment.
3. Summarize the main features of the gradualist paradigm.
4. Assess the validity of the punctuated equilibrium paradigm.
5. Describe the nature of deep structures and explain how they contribute to organizational inertia.
6. Provide examples of Nadler and Tushman's four types of change.
7. Discuss the implications of these types of change for change management practice.

Open systems theory (introduced in Chapter 1) provides a useful conceptual framework for viewing organizations as a system of interrelated components that transact with a larger environment. Irrespective of whether the focal system is a work group, department or organization, it is embedded within a larger system and is dependent on this larger system (its external environment) for the resources, information and feedback it requires in order to survive. In its simplest form, an organization can be portrayed as an open system that actively relates with its environment, receiving various inputs that it transforms and exports as outputs (Figure 3.1). In the case of an organization that produces goods or services for external customers, the revenue generated from the sale of these outputs may be used to fund the acquisition of new inputs, such as labour, raw materials, equipment and facilities, which can then be used to produce more outputs. Feedback from customers and other external stakeholders can signal a need to modify the way it produces the goods and services it exports, or a need to develop new products to satisfy changes in the marketplace, and these changes can affect the organization's requirement for inputs from the environment. Changes in the price and availability of inputs can also affect an organization's strategy.

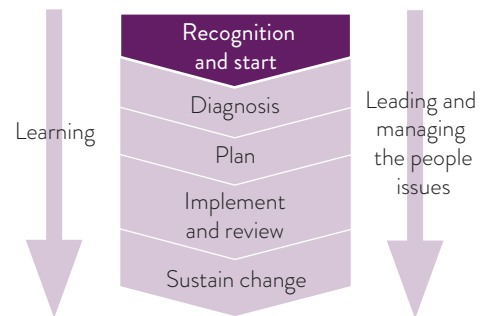


Figure 3.1 An organization transacting with its environment

Most organizations operate within a dynamic environment and to prosper in this changing world they need to be aware of and respond to emerging opportunities and threats. What happened to Nokia, discussed in

Example 1.3, highlights the consequence of failing to recognize important shifts in the external environment.

This chapter examines how an organization can respond to opportunities and threats. It is argued that the ideal response is a stream of continuous adaptations that ensure that the organization is always aligned with its environment, but in reality this is the exception. The rule is that, because of internal forces that promote inertia, many organizations are slow to adapt to changing circumstances. The result is strategic drift and a growing misalignment with their external environment that eventually forces them to engage in some form of radical change.

ADAPTING TO CHANGE: THE GRADUALIST PARADIGM

The gradualist paradigm posits that organizations adapt to opportunities and threats by engaging in a process of continuous change. Their response is evolving and, over time, these continuous changes cumulate to transform the organization (Figure 3.2).

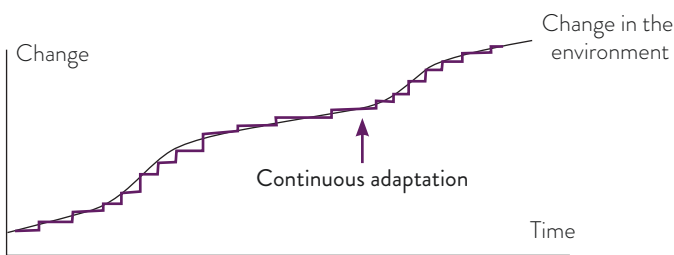


Figure 3.2 *The gradualist paradigm: continuous evolutionary change*

Brown and Eisenhardt (1997) support this view and cite companies such as Intel, Walmart, 3M, HP and Gillette, suggesting that for long periods their ability to change rapidly and continuously was not just a core competence but was at the heart of their cultures. They refer to Burgelman (1991) and Chakravarthy (1997), who suggest that continuous change is often played out through product innovation as companies

change and sometimes transform through a process of continually altering their products. HP is identified as a classic case. The company changed from an instruments company to a computer firm through rapid, continuous product innovation, rather than through a sudden discontinuous change.

Continuous change, when it occurs, involves constant updating of work processes and social practices. Weick and Quinn (1999) argue that this leads to new patterns in how an organization organizes itself in the absence of a priori intentions on the part of some change agent. It is emergent, in the sense that there is no deliberate orchestration of change. It is continuous and is the outcome of the everyday process of management. They cite Orlikowski (1996), who suggests that continuous change involves individuals and groups accommodating and experimenting with everyday contingencies, breakdowns, exceptions, opportunities and unintended consequences, and repeating, sharing and amplifying them to produce perceptible and striking changes.

Haier is a good example of an organization that has successfully navigated a volatile, uncertain, complex and ambiguous environment by continuously innovating and reinventing itself (see Example 3.1 below). Much of this change was emergent, insofar as it gradually unfolded over time in response to changing circumstances. Organizational members, at every level, learned to work together to challenge and transform entrenched attitudes and work practices, and they introduced changes that enabled the organization to identify new markets and foster long-standing relationships with users. However, there was also a strong top-down guiding hand that led the organization down this path. It was Zhang Ruimin, CEO at the time, who developed and implemented 'Rendanheyi', the collection of management practices that gave everybody greater autonomy and empowered them to respond to fast-changing user demands.

Brown and Eisenhardt (1997) studied product innovation in six firms in the computer industry at a time of rapid product development associated with the Pentium processor, multimedia, the internet and the convergence of telephony with consumer electronics. Three of their case studies related to firms with a record of successful product innovation and business performance and three related to firms with a relatively poor record of developing multi-product portfolios.

They identified three characteristics of the firms that were able to manage change as a continuous process of adjustment: semi-structures that facilitated improvisation, links in time that facilitated learning, and sequenced steps for managing transitions.

Weick and Quinn (1999) echo these findings and observe that the distinctive quality of continuous change is the idea that small continuous adjustments, created simultaneously across units, can cumulate and create substantial change. They describe the three related processes associated with continuous change as improvisation, translation and learning:

- *Improvising*: facilitates the modification of work practices through mutual adjustments in which the time gap between planning and implementing narrows towards the point where planning converges with implementation.
- *Translation*: refers to the continuous adaptation and editing of ideas as they travel through the organization.
- *Learning*: involves the continuous revision of shared mental models, which facilitates a change in the organization's ability to be responsive.

While Burke (2002) accepts the possibility that more than 95 per cent of organizational changes are, in some way, evolutionary and gradually unfold over time in response to changing circumstances, he challenges Orlikowski's assumption that a continuous stream of incremental changes can lead to fundamental change. Burke (2002, p. 69) asserts that most organizations require some kind of discontinuous 'jolt' to the system to overcome the inertia that limits change.

The example of Haier, presented in Example 3.1, challenges Burke's view. Haier is one of a number of companies that have successfully transformed themselves by engaging in a continuous process of change.

EXAMPLE 3.1 Haier: the gradual transformation of a traditional manufacturing firm into a highly responsive, online-based entrepreneurial company

A run-down Chinese manufacturer of refrigerators, Qingdao General Refrigerator Company, reinvented itself several times, over a period of nearly 40 years, to become Haier, a highly responsive, online-based entrepreneurial company.

Initially, the company focused on volume. In the 1980s it was a seller's market for refrigerators in China (meaning the demand was much greater than the supply) and the Qingdao General Refrigerator Company could sell everything it produced, regardless of quality. Zhang Ruimin, who was appointed plant director in 1984, anticipated that this would change as customers became more sophisticated and as the supply of refrigerators increased. So, he set out to shift the company's focus from volume to quality. This change was difficult to implement because it required a cultural change within the organization. Example 21.2 illustrates one of the ways in which Zhang tried to 'unfreeze' the prevailing mindset in order to achieve his vision of quality first. Other initiatives that contributed to the change included the introduction of new equipment and linking pay to performance.

It was not long before local competitors began to improve the quality of their refrigerators and foreign competitors entered the Chinese market. Haier, as it was then known, responded by expanding its product range, exporting to and then manufacturing in international markets, and establishing joint ventures and strategic partnerships, initiatives that eventually led to the creation of a global brand.

Change within Haier has been a constant. The pace of structural change illustrates this. Following changes that shifted the company away from functional hierarchies towards a more project-based structure, Zhang, as CEO, went on to create a matrix organization. Frynas et al. (2018) report that, between 1998 and 2002, Zhang changed the organizational structure on more than 40 occasions.

Eventually, the Haier Group expanded to become one of the world's largest producers of white goods. Zhang recognized that the scale and bureaucracy associated with this success could threaten the company's continuing success, as those making important decisions became too isolated from customers. This led him to develop a collection of new management

practices, known as ‘Rendanheyi’, that were targeted at unlocking the entrepreneurial talent that was too often ignored by those in charge, enabling all employees to focus their attention on users.

An early step in this change process was the establishment of micro-divisions that had considerable operational autonomy so long as they achieved targets for sales and profitability set by HQ. This was followed by an even more radical change that involved the creation of a network of independent micro-enterprises run by leaders who had a financial stake in their enterprise. Today, the leaders of these enterprises have almost complete autonomy and can recruit external partners and some external funding for projects.

Haier has transformed itself from a semi-closed to an open system that comprises a network of self-governing micro-enterprises with free-flowing communication among them and mutually creative connections with outside contributors. Zhang (2018) reports that the Haier platform now connects more than 2,000 micro-enterprises in various locations around the world.

However, while Haier offers an outstanding example of an organization that has transformed itself through a process of continuous change, the evidence suggests that this kind of successful adaptation is the exception rather than the rule.

THE PUNCTUATED EQUILIBRIUM PARADIGM: AN ALTERNATIVE VIEW OF HOW ORGANIZATIONS CHANGE

The essence of the punctuated equilibrium paradigm is that systems (organizations) evolve through the alternation of periods of equilibrium, in which persistent ‘deep structures’ only permit limited incremental change, and periods of revolution, in which these deep structures are fundamentally altered (Figure 3.3). This pattern of change is very different to that presented by the gradualist paradigm, which argues that organizations can be fundamentally changed by a continuous stream of gradual adaptations.

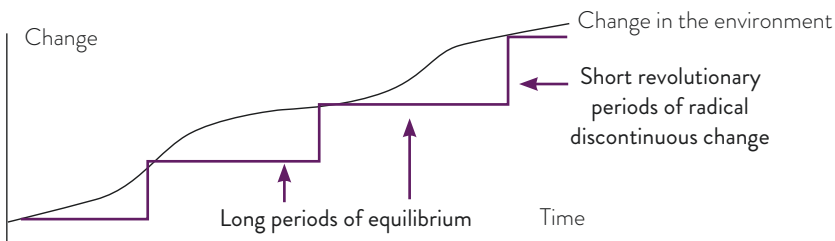


Figure 3.3 Punctuated equilibrium

Gould (1978) was one of the first to challenge the notion of gradual, cumulative change. He is a natural historian with an interest in Darwin’s theory of evolution. Traditionalists assert that evolution involves a slow stream of small changes (mutations) that are continuously being shaped over time by environmental selection (see

Chapter 1). While Gould accepts the principle of natural selection, he rejects the proposition that change is gradual and continuous. Gould (1978, p. 15) asserts that the evidence points to ‘a world punctuated with periods of mass extinction and rapid origination among long stretches of relative tranquillity’.

Gersick (1991) has studied models of change in six domains – individual change, group development, organization development, history of science, biological evolution, and physical science – and found support for the punctuated equilibrium paradigm in every one. According to Gersick (1991, p. 12), the paradigm has the following components: ‘relatively long periods of stability (equilibrium), punctuated by compact periods of qualitative, metamorphic change (revolution)’.

Deep structure

Gersick (1991, p. 16) refers to ‘deep structure’ as the fundamental choices an organization makes that determine the basic activity patterns that maintain its existence. She argues that deep structures are

highly stable because the trail of choices made by a system (organization) rule out many options and rule in those that are dependent on each other. She also argues that the activity patterns of a system's deep structure reinforce the system as a whole through mutual feedback loops. This argument is similar to that advanced by Sydow et al. (2009), which suggests that self-reinforcing sequences lead to the development of a pattern of events, decisions and actions that begin to dominate and divert attention away from alternative ways forward (see Chapter 1).

The nature of deep structures can vary between organizations. For many family firms, especially small and medium-sized enterprises, their deep structures might include a desire to protect the family's wealth, which can give rise to an aversion to risk and a desire to protect the family's control over the business. This can have a number of outcomes, including a reluctance to dilute equity or employ non-family members in senior roles.

Tushman and Romanelli (1985) identify five key domains of organizational activity that might be viewed as representing the deep structure of most organizations. These are organizational culture, strategy, structure, power distribution, and control systems. Romanelli and Tushman (1994) assert that it takes a revolution to alter a system of interrelated organizational parts when it is maintained by mutual dependencies among the parts, and when competitive, regulatory and technological systems outside the organization reinforce the legitimacy of the managerial choices that produced the parts.

Greenwood and Hinings (1996) offer a slightly different perspective based on neo-institutional theory, but the core argument is the same; there is a force for inertia that limits the possibility for incremental change, and this resistance to change will be strongest when there is a network of tightly coupled mutual dependencies. Greenwood and Hinings' (1996, p. 1023) argument is that a major source of resistance to change stems from the 'normative embeddedness of an organization within its institutional context'. Organizations must accommodate institutional expectations in order to survive. They illustrate this point with reference to the way institutional context has influenced the structure and governance of accounting firms. They were (and most still are) organized as professional partnerships, not because that form of governance facilitated efficient and effective task performance, but because it was defined as the appropriate way of organizing the conduct of accounting work.

The parameters offered by such an archetypal template provide the context for convergent change. Greenwood and Hinings (1996) suggest, for example, that an accounting firm operating as a professional partnership could, as it grows, introduce some form of representative democracy in place of the traditional, broadly based democratic governance. This kind of incremental change could be achieved because it is perceived to be consistent with prevailing core ideas and values. However, a move towards a more bureaucratic form of authority and governance might encounter strong resistance because it is perceived to be inconsistent with the prevailing template. Such a radical change would involve the organization moving from one template to another.

These templates work in the same way as Gersick's deep structures. However, the degree of embeddedness and strength of these templates may vary between sectors, and this will affect the power of the template to limit the possibility for incremental cumulative change in any particular organization. In the case of the accounting profession, the partnership organizational form, with its commitment to independence, autonomy and responsible conduct, is supported by a strong network of reciprocal exchanges between professional associations, universities, state agencies and accounting firms. The outcome is a situation where individual accounting firms are tightly coupled to the prevailing archetypal template.

The experience of Foxconn (Example 3.2) illustrates the power of a different type of template to limit change.

Greenwood and Hinings (1996) argue that radical change in tightly coupled fields will be unusual, but if it does happen, it will not be a gradual process. It is more likely to take the form of a

EXAMPLE 3.2 The impact of Foxconn's tightly coupled ecosystem in China on the relocation of operations to other countries

Example 1.6 focused on how organizational path dependence is slowing Foxconn's attempt to diversify away from high-volume, low-margin assembly to the design and manufacture of high-margin, high-tech products. This example focuses on how tight coupling within Foxconn's ecosystem in China is complicating the company's push to relocate its assembly of high-volume, low-margin electronic products to other low-cost countries.

Foxconn located the bulk of its factories in China because it offered an attractive investment environment. But conditions are changing and some of the advantages of being reliant on China are beginning to evaporate. For example, labour costs are increasing, and it is proving more difficult to recruit temporary workers quickly to boost output when required. While these issues are significant, one of the most worrying developments was the US–China trade war, which threatened to cut sales in the USA of devices made in China. These developments prompted Foxconn to start moving some of its production capacity away from China to other low-cost countries such as India and Vietnam.

Change did begin to happen, but progress was slow. Li and Ting-fang (2019) report that while Foxconn had started to produce iPhones in India, volumes were still very small. Part of the problem was that, over the years, Foxconn had embedded itself in a complex and extensive ecosystem in China that included component suppliers, a developed infrastructure and a workforce capable of satisfying the company's requirements. Alternative locations may not be able to offer similar advantages for some time to come. For example, it will take time to replicate the clusters of suppliers and efficient logistics that support its operations in China. There is also evidence that in many Southeast Asian countries workers are less willing to travel great distances to work and live in dormitories attached to factories. This reluctance is forcing Foxconn to scale down its operations and build units that employ 20,000 rather than the 150,000-plus workers it employs at some of its factories in China.

The change Foxconn is trying to implement would be much easier if it were part of a loosely coupled system but, because it is part of a tightly coupled ecosystem, it is proving difficult to replicate elsewhere the many benefits that it enjoys in China.



Getty Images/Cultura RF/Mick Ryan

discontinuous revolutionary change. However, in loosely coupled fields, it will be easier to achieve radical change through a process of continuous adjustment that unfolds over a period of time. But loose coupling can contain change. Weick and Quinn (1999) suggest that when interdependencies are loose, continuous adjustments can be confined within subunits and remain as pockets of innovation and will not cumulate to produce fundamental change across the organization. This problem is discussed in more detail in Chapter 26.

Equilibrium periods

Gersick (1991) introduces the analogy of a playing field and the rules of the game to describe an organization's deep structure, and the game in play to describe activity during an equilibrium period. How a game of football is played may change over the course of a match, but there is a consistency determined by the nature of the playing field and the rules of the game. The coach and the players

can intervene and make changes that will affect team performance, but they cannot intervene to change the nature of the playing field or the rules of the game (the deep structure). In terms of organizational change, during periods of equilibrium, change agents can intervene and make incremental adjustments in response to internal or external perturbations, but these interventions will not fundamentally affect the organization's deep structure.

According to the punctuated equilibrium paradigm, in equilibrium periods, organizations are resistant to change because of forces of inertia that work to maintain the status quo. Gersick argues that so long as the deep structure is intact, it creates a strong inertia to prevent the system from generating alternatives outside its own boundaries. Furthermore, these forces for inertia can pull any deviations that do occur back into line. Gersick (1991) identifies three sources of inertia: cognitive frameworks (similar to the cognitive biases discussed in Chapter 1), motivation (with links to increasing returns and the commitments to past decisions also discussed in Chapter 1) and obligations.

Organizational members often develop shared cognitive frameworks and mental models that influence the way they interpret reality and learn. Shared mental models can restrict attention to thinking 'within the frame'. With regard to change, attention may be restricted to searching for ways of doing things better. In periods of equilibrium, assumptions about the organization's theory of business (Drucker, 1994) often go unchallenged and organizational members fail to give sufficient attention to the possibility of doing things differently or even doing different things. (See Hodgkinson and Healey, 2008, for details of studies that have considered the role of mental representations in organizational inertia and strategic adaptation.)

Motivational barriers to change are often related to the fear of loss, especially with regard to the sunk costs incurred during periods of equilibrium (see, for example, the discussion of setup costs and learning in Chapter 1). Gersick (1991) refers to the fear of losing control over one's situation if the equilibrium ends and argues that this contributes heavily to the human motivation to avoid significant system change. Thaler and Sunstein (2009) draw on the work of Samuelson and Zeckhauser (1988) to argue that for lots of reasons people prefer to stick with their current situation.

Obligations can also limit change. Tushman and Romanelli (1985) note that even if a system can overcome its own cognitive and motivational barriers against realizing a need for change, the networks of interdependent resource relationships, such as relationships with suppliers, and value commitments generated by its structure will often prevent it being able to achieve the required change. This view, at least in part, adds support to Greenwood and Hinings' (1996) proposition that the normative embeddedness of an organization can limit change.

Episodes of discontinuous change occur when inertia, that is, the inability of organizations to change as rapidly as their environment, triggers some form of revolutionary transformation.

Revolutionary periods

Gersick (1991) asserts that the definitive element of the punctuated equilibrium paradigm is that organizations do not shift from one 'kind of game' to another through incremental steps. According to Romanelli and Tushman (1994), this is because resistance to change prevents small changes in organizational units from taking hold and substantially influencing activities in related subunits. Consequently, small changes do not accumulate incrementally to transform the organization.

Weick and Quinn (1999) note that punctuated equilibrium theorists posit that episodes of revolutionary change occur during periods of divergence, when there is a growing misalignment between an organization's deep structure and perceived environmental demands. They report that the metaphor of the firm implied by episodic change is an organization that comprises a set of interdependencies that converge and tighten (become more closely aligned) as short-term adaptations are pursued in order to achieve higher levels of efficiency. This focus on internal alignment

deflects attention away from the need to maintain alignment with the external environment and, consequently, the organization is slow to adapt to environmental change. The only way forward is for the organization to transform itself. Gersick (1991) argues that the transformation of deep structures can only occur through a process of wholesale upheaval.

This process of revolutionary change and organizational transformation provides the basis for a new state of equilibrium. However, because of the forces of resistance that inhibit continuous adaptation, this new equilibrium gives rise to another period of relative stability that is followed by a further period of revolutionary change. This process continues to unfold as a process of punctuated equilibrium.

Sometimes, however, this pattern of punctuated equilibrium does not unfold as predicted. It is blocked when an organization, faced with the need to transform, fails to recognize the need in time or, for some other reason, is unable to transform itself. Example 3.3 illustrates how this can lead to failure. Blockbuster, a firm that dominated the video rental market, found itself in a situation where it had to file for bankruptcy.

EXAMPLE 3.3 The rise and fall of Blockbuster

Blockbuster was a bricks-and-mortar video rental business with over 9,000 stores worldwide, employing more than 85,400 staff. It was both popular and profitable. Customers were attracted by the wide choice of videos and the opportunity to spend time browsing before selecting a film to take home. They were also attracted by affordable rental charges. Blockbuster made this successful business proposition even more profitable by charging customers late fees when video cassettes were not returned on time.

Blockbuster was continuously seeking ways to innovate and frequently fine-tuned its business model. For example, the high demand for recently released films was difficult to satisfy because film studios charged Blockbuster a relatively high price (\$65) for each video cassette, thus making it expensive to stock them in large enough numbers to satisfy peak demand. Blockbuster resolved this problem by negotiating a deal with the studios that involved paying a much lower upfront price (\$1) per video followed by a 40 per cent share of rental income. Blockbuster constantly tweaked the way it operated in order to improve efficiency and grow revenues, but its underlying business model remained largely unchanged.

The advent of modestly priced DVDs that customers could purchase from the likes of Walmart offered would-be renters with an alternative, but Blockbuster did not view this as a major threat. However, this development provided Netflix with the opportunity to consolidate a different business model. The introduction of DVDs made it much easier to supply films by post, a very cost-effective way of operating because it enabled Netflix to reach customers without incurring the cost of expensive high-street stores. Netflix also offered a subscription model that eliminated late fees. Customers could watch a video many times or return it quickly and order a succession of different videos. But there was a downside to this business model – customers had to plan ahead and wait a few days for their videos to arrive.

Blockbuster managed to thrive despite competition from Netflix's mail order model and the alternative to renting offered by retail outlets selling cheap DVDs. But it was not long before a new development posed a much more serious threat. Netflix spotted the opportunity to launch a digital service and stream films directly into customers' homes. John Antioco, Blockbuster's CEO, recognized the risks associated with this development and he was also aware of customers' growing frustration with late fees. He responded by investing \$200 million to launch Blockbuster online and scrapping late fees on rentals from stores, a change that cost the company an additional \$200 million. Antioco knew that these changes would affect the bottom line over the short term but was convinced they offered the best route towards securing long-term profitability.

This view was not shared by other powerful stakeholders. One activist investor launched a campaign to secure places for himself and like-minded investors on Blockbuster's board in order to oppose Antioco's new strategy. Their efforts were supported by some senior executives and eventually they managed to replace Antioco with a new CEO. He changed direction

and refocused attention back on the high-street store, raised prices for online customers and cut back on marketing the streaming side of the business.

These powerful stakeholders were successful in their efforts to reverse Antioco's strategy but their mistake was that they failed to recognize how digitization and new technologies would affect the viability of their business. Within five years, this once dominant company was forced into bankruptcy. The last 300 stores were closed in 2014.

Those who subscribe to the punctuated equilibrium paradigm argue that revolutionary episodes may affect a single organization, such as Blockbuster, a whole sector or the global economy. An example of a whole sector that was faced with the need to change was the music industry after it was ravaged by the digital disruption introduced by Napster, when it facilitated the illicit peer-to-peer sharing of MP3 music files. This development tore apart the industry's business model (see Nicolaou, 2017). The big labels challenged the growing epidemic of piracy in the courts, but it was the forging of alliances between the big labels and streaming companies, such as Apple Music and Spotify, that eventually saved the day and created a 'new playing field' for the industry. An example of a revolutionary episode that affected a wide range of organizations operating in almost every sector across the global economy was the COVID-19 pandemic that started in 2020.

Support for the punctuated equilibrium paradigm

Numerous case histories offer support for the punctuated equilibrium paradigm. For example, Pettigrew (1987) reports a study of change in ICI over the period 1969–86. He found that radical periods of change were interspersed with periods of incremental adjustment and that a change in core beliefs preceded changes in structure and business strategy. The first direct test of the paradigm was Romanelli and Tushman's (1994) empirical study of microcomputer producers, the key elements of which are summarized in Research Report 3.1.

RESEARCH REPORT 3.1 Study of microcomputer producers

Romanelli, E. and Tushman, M.L. (1994) Organizational transformation as punctuated equilibrium: An empirical test, *Academy of Management Journal*, 37(5): 1141–66.

Hypotheses

According to the punctuated equilibrium model, radical and discontinuous change of all or most organizational activities is necessary to break the grip of strong inertia. This provides the basis of Romanelli and Tushman's first hypothesis:

- 1. 'Organizational transformations will most frequently occur in short, discontinuous bursts of change involving most or all key domains of organizational activity.'**

Resistance to change is critical to punctuated equilibrium theory in that it establishes the key condition that supports revolutionary transformation. Resistance prevents small changes in organizational subunits from taking hold or substantially influencing activities in related subunits. This gives rise to their second hypothesis:

- 2. 'Small changes in individual domains of organizational activity will not accumulate incrementally to yield a fundamental transformation.'**

Their final hypothesis addressed how organizational transformation is stimulated. Since the punctuated equilibrium model posits strong inertia as the common state of organizational affairs, they hypothesized that:

- 3. 'Inertia will be broken by a severe crisis in performance, major changes in the organization's environment, and the succession of its chief executive officer (CEO).'**

Method

Romanelli and Tushman studied the life histories of 25 minicomputer producers founded in the USA between 1967 and 1969. The firms were selected to maximize organizational similarities on dimensions of organizational age and the environmental characteristics the organizations faced during founding and later in their lives.

Data were collected for all the years of the organizations' lives from a variety of sources, including information required by the Securities and Exchange Commission, annual reports, prospectuses, and industry and business press reports. They found that detailed information about strategies, structures and power distributions was available for all organizations throughout their lives. However, they also found that organizations reported information about cultures and control systems infrequently and inconsistently. Consequently, Romanelli and Tushman dropped the culture and control system domains of activity from further analysis and focused their attention on structure, strategy and power distributions.

Fundamental organizational transformations, which could be either revolutionary or non-revolutionary, were identified as occurring whenever substantial changes were observed in the strategy, structure and power distribution domains of organizational activity. Revolutionary transformations were defined as occurring whenever changes in all three strategy, structure and power distributions occurred within any two-year period. NB: Two years was selected because some of the data were presented for corporate fiscal years and some for calendar years; however, they found that the majority of the revolutionary transformations actually occurred within a single year.

Non-revolutionary transformations were identified in two ways. First, whenever there were substantial changes over a period longer than two years and, second, when small changes accumulated to a 30 per cent change and when all three domains exhibited this level of change.

Results

The key findings of the study were that:

- A large majority of organizational transformations were accomplished via rapid and discontinuous change.
- Small changes in strategies, structure and power distribution did not accumulate to produce fundamental transformations. This finding provides additional evidence that fundamental organizational transformations tend to occur in short, discontinuous bursts.
- Triggers for transformations were major environmental changes and CEO succession.

THE NATURE OF CHANGE CONFRONTING MOST ORGANIZATIONS

Dunphy (1996) argues that planned change is triggered by the failure of people to create a continuously adaptive organization, the kind of organization sometimes referred to as a 'learning organization'. Weick and Quinn (1999) propose that the ideal organization would resemble the successful self-organizing and highly adaptive firms that Brown and Eisenhardt (1997) found in the computer industry. However, while some organizations might achieve this ideal and become so effective at double-loop collective learning (see Chapters 27 and 28) that they are rarely misaligned with their environment, most do not. The majority of organizations, if they survive long enough, experience episodic change that cycles between relatively long periods of continuous incremental improvement punctuated by short periods of discontinuous revolutionary change.

There are three main categories of organizations that, in normal times, may not experience periods of discontinuous change:

1. Self-organizing and continuously changing learning organizations, as identified by Brown and Eisenhardt.
2. Companies operating in niche markets or slow-moving sectors where they have not yet encountered the kind of environmental change that requires them to transform their deep structures.

3. Organizations that are able to continue functioning without transforming themselves because they have sufficient 'fat' to absorb the inefficiencies associated with misalignment.

However, even the self-organizing and continuously changing learning organizations mentioned above may need to engage in transformational change when confronted with totally unanticipated, pervasive big-bang disruptions such as the COVID-19 pandemic.

According to the punctuated equilibrium paradigm, organizations experience two types of change:

1. *Incremental change*: this occurs during the relatively long periods of equilibrium and is associated with the extrapolation of past trends, doing things better, and securing efficiencies (see the discussion of path dependency in Chapter 1).
2. *Transformational change*: this occurs during periods of disequilibrium when the organization, because of the effect of inertia and a failure to recognize the need for change, becomes so misaligned with its external environment that it cannot continue as before.

The studies undertaken by Tushman and colleagues (summarized in Nadler and Tushman, 1995) suggest that most companies not only go through periods of incremental and transformational change, but that:

- this pattern of change repeats itself with some degree of regularity
- patterns vary across sectors. Beiker et al. (2016) report that carmakers re-engineer their core products approximately once every seven years, whereas tech companies re-engineer their core products every two years
- in almost all industries, the rate of change is increasing and the time between periods of discontinuity is decreasing.

This last point is important because it predicts that all managers will be confronted with an ever-greater need to manage transformational change. There are, however, many managers who have little or no experience of managing disruptive change. Bucy et al. (2016) argue that this makes them poorly prepared for the much faster paced, more bruising work of managing a transformation. They liken these inexperienced managers to career commercial air pilots thrust into the cockpit of a fighter jet.

Even when senior managers recognize emerging threats or opportunities and are personally capable of embracing faster paced transformational change, they may not be able to push ahead because their business is unable to access people who have the necessary competences to support the change. Daub and Wiesinger (2015) argue, for example, that while companies need to move quickly to go digital, building in-house capability can take years. Mick Yates (see the video *Managing Change in Practice 4.1: The implications of big data*) echoes this point when he highlights the need for organizations to recruit and develop staff who can extract useful insights from big data.

For these and other reasons, not all organizations are able to successfully negotiate episodes of discontinuity and those that fail to adapt may drop out or be acquired by others. Foster and Kaplan (2001) provide chilling evidence of the consequences of failing to adapt in what might now be referred to as 'normal times'. They refer to changes in the Forbes top 100 companies between 1917 and 1987. Out of the original 100 companies, only 18 were still in the list in 1987 and 61 no longer existed.

The conditions created by the COVID-19 pandemic were certainly not 'normal times'. Countless firms found themselves grossly misaligned with a rapidly changing external environment and unable to negotiate the discontinuities that were confronting them. Strategies that can help organizations manage this kind of discontinuity are considered in Chapter 10, but for many the challenge was too great, and they were driven out of business or their assets were acquired by more enterprising

organizations. There were, however, many successes, for example organizations that lost customers but quickly moved to develop new market opportunities.

Chazan and Arnold (2020) point to the Bauer Group, a Munich-based industrial compressor maker, as an example of a company that, when faced with the disruption caused by the coronavirus crisis, responded swiftly. They report that Bauer tore up its existing business plan and wrote a new one. Many of its largest customers were in the automotive industry, which suffered a big drop in demand. The company rapidly pivoted to other, more crisis resistant customers, switching to producing compressors for the healthcare industry, research institutes and energy clients. Part of this change also involved inventing, patenting and manufacturing new products such as filters that remove viruses, bacteria and mould from the air. Chazan and Arnold also point to the example of va-Q-tec, a medium-sized German high-tech company that specialized in insulation. Following a collapse in the demand for thermal panels for fridges, va-Q-tec switched to satisfy the growing demand for insulated containers for the transportation of pharmaceutical products.

THE POSSIBILITY OF ANTICIPATING CHANGE

Sometimes, it is relatively easy to anticipate the need for change. For example, companies competing in markets where margins are being squeezed can anticipate the need to secure greater efficiencies or generate new income streams. There are many instances, however, where anticipating change is not easy.

Bradley and O'Toole (2016) suggest that startups and young companies are better at anticipating change than more mature firms because they often have to struggle with uncertainty, and this helps to keep them agile, willing to experiment, and to be constantly on the lookout for new ways of creating value. Mature firms, on the other hand, are less likely to be good at anticipating change because they are more likely to become locked into routines and processes, and reward managers for steady results rather than seeking out and experimenting with alternative ways of doing business.

While it can be difficult for mature firms to anticipate change, there are steps that managers can take to make it easier. De Jong and van Dijk (2015) argue that every industry is built around long-standing, often implicit, beliefs about how to make money: 'These governing beliefs reflect widely shared notions about customer preferences, the role of technology, regulation, cost drivers, and the basis of competition and differentiation. They are often considered inviolable – until someone comes along to violate them.' Managers can learn to identify and challenge these beliefs and use this new understanding to identify hidden or uncertain threats or help them search for new opportunities. One example of how this might be done is value innovation (see Chapter 6).

There are, however, occasions when organizations are confronted with changes that are difficult to anticipate. In early 2020, a buoyant cruise industry was looking forward to further growth when, suddenly, without warning, everything changed. The COVID-19 pandemic forced the world's 60 operators to lay up all their 338 cruise ships. Nobody knew how long they would have to be mothballed for or what a new normal might look like. Losses began to escalate. Handcock (2020) estimated that Carnival, one of the top three operators, was haemorrhaging over \$1 billion a month. Operators were faced with many difficult decisions: for example, how many of their vessels to keep in warm lay-up, how many in cold lay-up (with almost everything switched off, making it prohibitively expensive to get them up and running again), and how many to scrap, when the cost of scrapping a 25,000 tonne vessel could be \$4 million. And, crucially, how were they to finance whatever they decided to do.

Another abrupt and unanticipated disruption was India's sudden crackdown on 'black money' and the surprise withdrawal of Rs500 and Rs1000 notes in 2016 (Example 3.4).

EXAMPLE 3.4 India's sudden withdrawal of Rs500 and Rs1000 bank notes in 2016

On 8 November 2016, President Modi suddenly, and without warning, withdrew all Rs500 and Rs1000 notes in order to crackdown on 'black money', cash earned legally but not declared to the tax authorities and money earned through illegal activities. Rs500 and Rs1000 notes were targeted because they accounted for 86 per cent of India's circulating cash. Those holding notes were given an eight-week window during which they could exchange small quantities for new notes or deposit their cash in banks but, in order to flush out black money, banks were required to notify the tax authorities of any deposits of more than Rs250,000.

While it was anticipated that the cancellation and replacement of currency would have many long-term benefits, including higher tax revenues, improved public finances and higher levels of bank deposits leading to lower interest rates and higher lending, the immediate impact on many businesses and small traders was severe. The *Financial Times* (2016) reported that the sale of fast-moving consumer goods dropped 30 per cent in some regions and the sale of durable goods came to a standstill in small towns.

Consequences of not anticipating change

Whether the need is for incremental or transformational change, the earlier the need is recognized, the greater the number of options managers will have when deciding how to manage it. Whenever managers are forced to react to an urgent and pressing need to change, they are relatively constrained in what they can do. For example:

- *There is less time for planning:* Careful planning takes time, something that is more likely to be available to those who are proactive and anticipate the need for change.
- *There is unlikely to be sufficient time to involve many people:* Involving people and encouraging participation in the change process can aid diagnosis, reduce resistance and increase commitment, but this also takes time.
- *There will be little time to experiment:* Early movers not only have time to experiment, they may also have the time to try again if the first experiment fails. When there is a pressing need for change, it is more difficult to search for creative solutions.
- *Late movers may have little opportunity to influence shifts in markets and technologies:* Early movers may have the opportunity to gain a competitive advantage by not only developing but also protecting, for example through patents, their new products or technologies (see the discussion of how to protect new market spaces in Chapter 6).

A TYPOLOGY OF ORGANIZATIONAL CHANGE

Some organizations are much better at anticipating the need for change than others. They are proactive. They search out potential threats and opportunities. They prepare for destabilizing events that might occur or they anticipate changes they could initiate to gain competitive advantage. Other organizations are much more reactive and only act when there is a clear and pressing need to respond.

Combining two of the dimensions of change discussed so far, the extent to which change involves incremental adjustment or transformational change and the extent to which the organization's response to an opportunity or threat is proactive or reactive, provides a useful typology of organizational change (Figure 3.4).

Nadler et al. (1995) identify four types of change:

1. **Tuning:** change that occurs when there is no immediate requirement to change. It involves seeking better ways of

	Incremental	Transformational
Proactive	Tuning	Reorientation
Reactive	Adaptation	Re-creation

Figure 3.4 Types of organizational change

Source: Adapted from D. Nadler and M. Tushman, Figure 2.3, 'Types of organizational changes'. From 'Types of organizational change: From incremental improvement to discontinuous transformation'. In D.A. Nadler, R.B. Shaw and A.E. Walton, *Discontinuous Change: Leading Organizational Transformation*, p. 24. Copyright ©1995 by John Wiley & Sons Inc.

achieving and/or defending the strategic vision: for example improving policies, methods, procedures; introducing new technologies; redesigning processes to reduce cost, time to market and so on; or developing people with required competences. Most organizations engage in a form of fine-tuning much of the time. This approach to change tends to be initiated internally in order to make minor adjustments to maintain alignment between the internal elements of the organization and between the organization's strategy and the external environment.

2. *Adaptation*: an incremental and reactive response to a pressing external demand for change. It might involve responding to a successful new marketing strategy adopted by a competitor or to a change in the availability of a key resource. Essentially, it broadly involves doing more of the same but doing it better in order to remain competitive. An example of adaptive change might be what happens when one company, for example Nestlé, is forced to respond to a competitive move by another, such as Mars, which may have either increased the size or reduced the price of some of its confectionary products. This kind of change is not about doing things in fundamentally different ways nor is it about doing fundamentally different things.

While tuning and adaptation can involve minor or major changes, they are types of change that occur within the same frame – they are bounded by the existing paradigm. Reorientation and re-creation, on the other hand, are types of change that, to use Gersick's analogy, target the playing field and the rules of the game rather than the way a particular game is played. They involve transforming the organization and bending or breaking the frame to do things differently or to do different things.

3. *Reorientation*: involves a redefinition of the enterprise. It is initiated in anticipation of future opportunities or problems. The aim is to ensure that the organization will be aligned and effective in the future. It may be necessary to modify the frame but, because the need for change has been anticipated, this could involve a relatively gradual process of continuous frame bending. An example is how firms in the car industry are reorienting themselves towards hybrids and all-electric cars and away from vehicles powered by internal combustion engines.

In those cases where the need for change is not obvious to all and may not be seen as pressing by many, senior management may need to work hard in order to create a sense of urgency and gain widespread acceptance of the need to reorient the business.

4. *Re-creation*: a reactive change that involves transforming the organization through the fast and simultaneous change of all its basic elements. The way Volkswagen (VW) responded to the emissions scandal (Example 3.5) provides a good example of this kind of reactive change.

EXAMPLE 3.5 The re-creation of VW

Following the emissions scandal, Herbert Diess, CEO of VW, announced a new strategy (Transform 2025+) to clean up the company's image and recover from the slump in demand for diesel cars.

The big shift involved re-engineering the core VW brand to focus on electric motors and batteries rather than internal combustion engines. The company announced that it would start building electric vehicles in the USA within five years and aimed to sell more than one million electric cars a year globally within nine years. This transformation was to be funded by phasing out less profitable models, eliminating cost and complexity (customers had the choice of 117 different steering wheels), cutting 30,000 jobs, and decentralizing decision making to improve performance and win market share in key regions such as North and South America and China.

The company also announced plans to focus more on SUVs, increasing the current range from 2 to 19 models, and to invest heavily in connected technology, launching its own digital platform within nine years.

Family firms are often viewed as slow to innovate (De Massis et al., 2019), and when they do, they are assumed to restrict themselves to fine-tuning or adaptations within the existing frame. In many instances this may be the case, but it is not inevitable. When pushed, if they have access to the required funding and talent, those leading family firms can be more decisive and quicker to act than those leading many other types of organization. Björnberg et al. (2014) assert that family businesses can work quickly because there is no need for owner managers to pass decisions up a chain of command or put them in front of a non-cooperative board. Many of the principal-agent challenges that confront non-family controlled firms are neutralized.

The most common type of change is incremental, either fine-tuning or adaptation, but it is not unusual for a single organization, such as UK Coal, to be involved in more than one type of change at the same time. The change reported in Example 3.6 involved both adaptation and reorientation, but after many years struggling to secure the survival of the mining business, the company gradually transformed itself into a property and land development business.

EXAMPLE 3.6 UK Coal: the simultaneous pursuit of adaptation and reorientation

UK Coal was the largest coal mining business in the UK. It operated 20 deep mines and the same number of opencast mines, but over a period of ten years turnover fell by 50 per cent and half of the company's mines were closed. The main reason for the closure of deep mines was the exhaustion of economically viable reserves. New mines were not developed to replace those that had been closed because the continuing downward trend in world coal prices had undermined the business case for new investment.

The exhaustion of economically viable reserves was not the only problem. Other problems included environmental opposition to the burning of coal with high sulphur content. Imported coal was more attractive to major customers (the power generators) on this count as well as on price. Another factor was the considerable capital investment required to develop a new deep mine.

The change strategy

The reduction in the number of deep and opencast mines encouraged UK Coal to begin looking for ways of improving the company's operating efficiency. One way of achieving this was to reduce the overhead cost of its central corporate HQ by making each mine more autonomous and delegating to each unit a wider range of activities than used to be the case. Alongside this restructuring, UK Coal introduced a continuous improvement programme across all the remaining deep mines in order to make them more efficient and ensure their long-term survival.

Confronted with ever-diminishing opportunities to grow the mining business, UK Coal also began to reappraise its assets and consider how it might revise its theory of business. An important asset was the land owned by the mining business. It decided to explore the possibility of redefining the company as a land and property management and mining company. This reorientation involved many changes, including bringing new senior managers into the organization with competences in the area of land and property management.

Attempts to adapt the mining part of the business to changing circumstances were successful over the short term but failed eventually. The efficiency drives delivered welcome improvements, and an unanticipated increase in the demand for coal pointed to a more secure future, but this prospect faded when the market was flooded with US coal, and the situation deteriorated further when the sale of British coal was hit by an adverse movement in exchange rates. These developments triggered a further restructuring of the business and a resumption of mine closures. UK Coal became Coalfield Resources plc and its operations split into two separate businesses, UK Coal Mine Holdings and Harworth Estates Property Group. Following the split, coal production soon came to an end.

While the adaptation strategy targeted at improving the efficiency of the coal mining business enjoyed only limited success, the reorientation strategy transformed the business. The Harworth Group developed a business based on the extensive land bank of former colliery sites and became one of the UK's largest land and property regeneration companies, with a mission to 'bring life to old brownfield sites and turn derelict land into employment areas and new homes'. The transformation strategy created a dynamic business that continues to grow. The Harworth Group is currently managing 21,500 acres across 140 sites.

IMPLICATIONS OF THESE DIFFERENT TYPES OF CHANGE FOR CHANGE MANAGEMENT PRACTICE

Different types of change can affect the focus for change efforts, the sequence of steps in the change process, and the locus for change, as discussed below.

The focus for change efforts

With incremental change, the aim is to improve the internal alignment between existing organizational components in order to do things better and improve the efficiency of the organization (Figure 3.5).

With transformational change, the aim is to seek a new configuration of organizational components in order to realign the organization with its changing environment. As noted above, this often leads to doing things differently or doing different things (Figure 3.6).

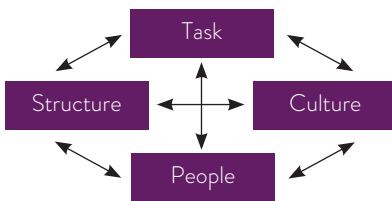


Figure 3.5 Incremental change for internal alignment

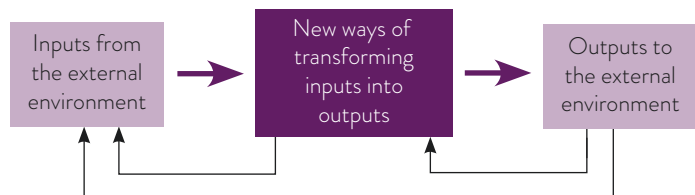


Figure 3.6 Transformational change for external alignment

The sequence of activities required to achieve a desired outcome

Inertia can be an important barrier to change. As an organization moves through a period of equilibrium, interdependencies between work roles, departments, processes, technologies, customers and suppliers tighten, ideologies that prescribe the best way of operating become more widely accepted, and the fear of losing benefits associated with the status quo strengthens the resistance to change. Thus, the first step in the change process involves equilibrium breaking, a step that Lewin (1947) referred to as ‘unfreezing’ (discussed in Chapter 2). This unfreezing creates the conditions that facilitate transitioning, moving the organization to a new state (Figure 3.7).

With most types of change, there will be resistance from some stakeholders and unfreezing will be an essential first step in the change process. However, in a minority of cases, where constantly adapting organizations (of the type identified by Brown and Eisenhardt, 1997) are operating in high-velocity environments, the issue might not be overcoming inertia and unfreezing the organization but reviewing and redirecting the continuous process of change that is already underway. Weick and Quinn (1999, p. 379) suggest that the appropriate change sequence required to redirect this kind of continuous change starts with ‘freezing’ in order to take stock and highlight what is happening, then moving on to ‘rebalancing’, a process that involves reinterpreting history and resequencing patterns so that they unfold with fewer blockages, followed by ‘unfreezing’ to resume improvisation, translation and learning ‘in ways that are more mindful of sequences, more resilient to anomalies, and more flexible in their execution.’

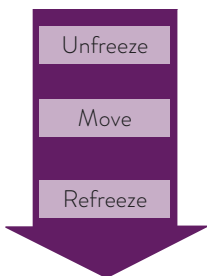


Figure 3.7 Lewin's three-step process

The locus for change

Nadler and Tushman (1995) argue that an important factor determining how change will be managed is the intensity, that is, level of trauma and dislocation, of the change. With reference to the typology of change presented above:

- *Transformational change* is more intense than incremental change. Gersick (1991) observes that during transformational change, since organizations are no longer directed by their old deep structures and do not yet have future directions, organizational members (including senior managers) experience uncertainty, often accompanied by powerful emotions (see the discussion of Bridges' model in Chapter 22).
- *Reactive change* is also more intense than proactive change. Nadler and Tushman (1995) contend that during reactive change, everybody is aware that failure may threaten survival. Furthermore, organizational members may find that their efforts are constrained by time pressures, and often by a shortage of resources.

Nadler and Tushman go on to argue that tuning is the least intense, followed by adaptation. There is a jump in intensity associated with reorientation but the highest level of intensity is associated with re-creation (Figure 3.8).

The main thrust of Nadler and Tushman's argument is that when the intensity of change is low, it can usually be managed by local leaders using project management and other forms of implementation associated with normal management processes. As the intensity of change increases, so does the burden of change management until it reaches a point where it cannot easily be managed through normal management processes. When the intensity of change reaches this level, senior management often create special structures and roles to aid the process and they may even appoint an internal or external change agent to facilitate the change. Nadler and Tushman (1995, p. 32) refer to this approach to change management as 'transition management'.

However, as the intensity of changes increases still further, change management is no longer just one of the items on the senior team's agenda, it *is* the senior team's agenda and the CEO assumes responsibility for directing the change rather than delegating it to others. Bucy et al. (2016) argue that if a CEO is to overcome organizational inertia and transform the organization, they need to:

- create a transformation office that is empowered to make decisions
- reinforce the executive team with a close colleague who will assume the role of transformation officer and help them manage the transformation
- explore ways of changing mindsets that are holding the organization back
- and embed a new culture of execution throughout the business.

NEW PATTERNS OF CHANGE

Gersick's (1991) multi-level and multi-domain exploration of punctuated equilibrium suggests that this pattern of change is not new. What is new is how people are experiencing it. When the pace of change was slower, a good number of people could spend their entire working life in organizations that were never significantly misaligned with their environment. Consequently, their experience of organizational change might have been confined to incremental fine-tuning and adaptation. However, with the increasing pace of change, many more organizations have experienced periods of

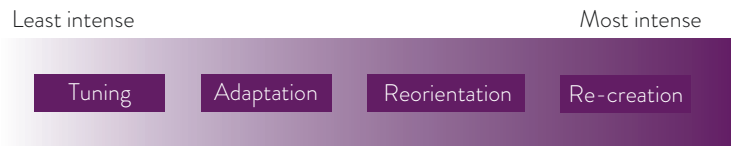


Figure 3.8 Intensity of change

Source: Inspired by ideas in D.A. Nadler and M. Tushman. 'Types of organizational change: From incremental improvement to discontinuous transformation'. In D.A. Nadler, R.B. Shaw and A.E. Walton, *Discontinuous Change: Leading Organizational Transformation*, p. 24. Copyright ©1995 by John Wiley & Sons Inc.

strategic drift (Johnson et al., 2008) and misalignment with their environment, to the point where the only way forward requires some form of radical transformation.

Many, and some argue the majority of, change projects fail to achieve their intended outcomes. One reason for this is the failure to recognize the need for change early enough. Recognizing the need for change and starting the change process will be considered in more detail in Chapters 4 and 7.

Read Case Study 3.1, Leicester Royal Infirmary, and, using the typology of change presented in Figure 3.4 above, identify the type of change that the Leicester Royal Infirmary decided to introduce.

CASE STUDY 3.1 Leicester Royal Infirmary

Leicester Royal Infirmary is one of the largest teaching hospitals in England, with a reputation for being well run. However, although the hospital was at the forefront of change, there were growing pressures for further change.

The new pressures for change

The city of Leicester had three acute hospitals located close to each other and integrated by a common medical school. The government, through the Department of Health, decided that the three hospitals should be established as independent trusts, thereby creating the possibility for competition between them. For example, the district health authority (the body that purchased services from providers, such as hospitals, on behalf of the community) adopted a policy of service rationalization, which raised the prospect of the Leicester Royal Infirmary losing contracts to one of the other hospitals.

The NHS internal market led to another competitive pressure from the primary care sector, as community-based doctors – with delegated budgets to purchase certain elective services – began ‘shopping around’ the three hospitals to obtain the most cost-effective and best quality provision. Purchasers also began to put considerable pressure on the hospitals to reduce patient waiting times. In addition, the introduction of national targets to improve efficiency placed new demands on all hospitals to make year on year savings.

The change strategy

Leicester Royal Infirmary was much better placed than most hospitals to face these challenges and the leadership team proactively sought additional funding from the government to embark on a major change programme. Because of its earlier success in eliminating inefficiencies, there were few easy targets for further cost cutting and little scope for improving the effectiveness and efficiency of the hospital simply by trying to do better than that which they were already doing.

Leicester Royal Infirmary, like hospitals generally, was organized according to functional principles. However, early experiments that involved introducing process-based principles of organizing led to some dramatic improvements in parts of the organization. In neurology, for example, the introduction of a single visit clinic reduced the time from visit to diagnosis from 12 weeks to one day, and in hearing services the time to fit a hearing aid was also dramatically reduced.

These early successes encouraged the hospital to embark on an ambitious organization-wide programme of process re-engineering. It was introduced as a top-down programme to redesign two of the hospital’s core processes: patient visits and diagnostic tests. The aim was to transform the organization from one characterized by fragmented functional thinking, which directed attention and activity towards narrow departmental priorities, to one where everybody worked together across functional boundaries to achieve wider organizational goals.



You can further test your understanding of Nadler and Tushman's typology of organizational change by identifying the types of change described in three additional case studies that can be found on the book's companion website: bloomsbury.pub/hayes-change-management-6e. These cases feature the BBC, Grampian police and the introduction of a new claims settlement procedure by a large insurance company.

✓ EXERCISE 3.1 How did your organization, or another organization you know well, respond to the COVID-19 pandemic?

- Did the organization's response involve incremental or transformational change?
- Was the response proactive or reactive?
- Was the way the organization responded to the pandemic different to the way it typically responded to changes in the past?

SUMMARY

This chapter has argued that the ideal way for organizations to respond to change is for them to engage in a continuous stream of adaptations that ensure they will always be aligned with the external environment. This corresponds to the 'gradualist paradigm', which posits that this kind of evolving change can be cumulative and can lead to organizational transformation without the need for a discontinuous jolt to trigger a radical change.

While the ideal pattern of change might be continuous and cumulative, the reality for many organizations appears to be a pattern of episodic change, which involves alternating between periods of equilibrium, where the focus for change is 'doing things better' through a process of continuous tinkering, adaptation and modification, and periods of discontinuous change, which involve a break with the past and doing things differently or doing different things. This pattern of change is referred to as 'punctuated equilibrium'.

Some organizations are much better at recognizing the need for change than others. The earlier the need for change is recognized, the greater the number of options managers will have when deciding how to manage it. Whenever managers are forced to react to an urgent and pressing need for change, they are relatively constrained in what they can do.

Nadler et al. identified four types of change – tuning, adaptation, reorientation and re-creation. Each of these types has implications for change management practice because they can affect the focus for change efforts, the sequence of steps in the change process, and the locus for change.

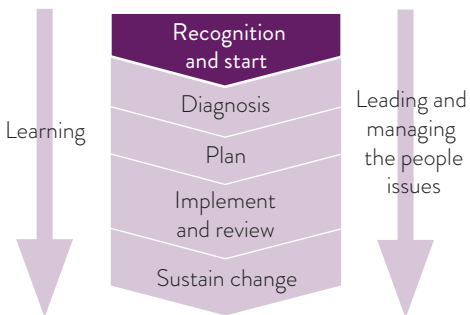


SOURCES OF CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize different sources of change and how they can disrupt organizations.
2. Define and give examples of external and internal sources of change.
3. Assess the utility of tools such as PEST for identifying external opportunities and threats.
4. Describe the costs and benefits of creative, sustaining and efficiency innovations.
5. Explain the differences between Christensen’s definition of disruptive innovation and big-bang disruption.
6. Identify some of the ways in which incumbent firms can respond to disruptions.
7. Assess the utility of Greiner’s life cycle model for identifying internal pressures for change.



Many of the opportunities and threats that trigger change can be found in an organization’s external environment but some originate from within the system itself. This chapter reviews a range of external and internal sources of change and explores the nature and consequences of disruption.

EXTERNAL SOURCES OF CHANGE

The PEST analytical framework, used by many organizations to scan their external environment, focuses on political, economic, sociocultural and technological sources of change:

- *Political factors*: include new legislation in areas such as environmental management, consumer protection and employment; regulation of markets in areas such as banking, healthcare, telecommunications and broadcasting; fiscal policies and so on. Case Study 17.1 provides an example of how a change in the regulatory framework for healthcare in Switzerland triggered GZF, a healthcare provider, to search for new opportunities that could help secure the organization’s success. Organizations that operate in international markets need to be aware of how legislative changes or changes in the level of political stability in different parts of the world might influence their operations. The election of Donald Trump as president of the USA in 2016 and the withdrawal of the UK from the EU in 2020 provide good examples of how political factors can create both opportunities and threats for businesses and other organizations.
- *Economic factors*: include issues such as exchange rates, cost of borrowing, changes in levels of disposable income, cost of raw materials, security of supplies, new competitors and the trade cycle. An example of the latter is the effect of China’s demand for raw materials on other economies around the world.

- *Sociocultural factors*: include demographic trends such as a fall in the birth rate or an ageing population. They also include shifting attitudes towards education, training, work and leisure, which can have knock-on effects on the availability of trained labour, consumption patterns and so on. Cultural factors can also affect business ethics and the way business is done in different parts of the world.
- *Technological factors*: include the availability of new materials, products, production processes, the means of distribution and so on. Digital technologies are an important source of change that will be discussed later in this chapter.

The PEST framework will receive more attention in Chapter 5.

INNOVATION AS A SOURCE OF CHANGE

Innovation can be both an internal and external source of change. Innovative organizations can benefit from more efficient operations or new market opportunities but organizations that are less innovative than others can lose out.

Organizations can proactively engage in creative, sustaining or efficiency innovation in order to secure some benefit:

- *Creative innovation*: New ventures typically engage in creative innovation in order to identify a product or service that a sufficient number of customers will want to buy at a price that will cover all costs and generate sufficient profit to make the effort worthwhile. An advantage enjoyed by many new ventures, which makes it easier for them to engage in creative innovation, is that they are not encumbered by lots of inflexible fixed assets and embedded processes. Consequently, they can be very agile when seeking out new business opportunities.
- *Sustaining innovation*: As organizations mature, their focus for innovation shifts from creating customers towards securing their customer base. Christensen et al. (2016) argue that they do this by innovating to improve the products and services that they already offer in order to make them more appealing to customers. They refer to this kind of innovation as ‘sustaining innovation’. This phase can continue for some time but, as an organization continues down this path, there may come a point where further innovations ‘overshoot’, in the sense that they deliver more functionality than many customers are willing to pay for.
- *Efficiency innovation*: This is the point where many organizations move away from introducing further sustaining innovations and begin to prioritize ‘efficiency innovation’. They focus attention on innovations that decrease costs and maintain margins, such as redesigning products to cut the number of components and outsourcing production to suppliers located in cost-competitive countries. Christensen et al. (2016) argue that while the introduction of efficiency innovations may enable firms to continue as profitable businesses, they can also make them less flexible and therefore more vulnerable to disruptive innovation.

Disruptive innovation

Innovation on the part of others can be a source of disruption. Many people refer to ‘disruptive innovation’ as any innovation that disturbs an industry’s competitive patterns and value networks to the extent that it threatens the viability of incumbents (firms already established in the industry).

Christensen et al. (2015) provide a more focused definition. They define ‘disruption’ as the process whereby new entrants or smaller companies with fewer resources successfully challenge established incumbent businesses. This kind of disruptive innovation originates in markets that have been overlooked by incumbents. These markets can offer new-market or low-end footholds. ‘New-market footholds’ are where disrupters have created a market where none previously existed. They find ways of turning non-consumers into consumers. This kind of innovation is discussed in Chapter 6.

'Low-end footholds' exist where incumbent firms focus too much attention on their most profitable customers and give insufficient attention to those who are less profitable. Disrupters base their success on targeting the needs of these less profitable customers. Rather than trying to improve the products or services already offered by incumbents, disrupters offer something different that will appeal to the underserved customers. Initially, the products or services they offer, while good enough to satisfy the needs of low-end customers, are inferior to those valued by mainstream, high-value customers. However, once established in a low-end foothold, the would-be disrupters grow by improving the performance of their products or services in ways that begin to appeal to mainstream, high-value customers.

Disrupters are most likely to succeed when incumbents fail to recognize the significance of the disrupter's incursions or when they do not think it worthwhile diverting attention away from their most profitable customers in order to confront those who are targeting the customers they do not value. Christensen et al. (2015) assert that disruption has occurred when a new entrant moves on from satisfying the needs of low-value consumers to delivering the functionality that attracts mainstream customers away from their traditional suppliers (see Example 4.1).

EXAMPLE 4.1 Aldi's disruption of the supermarket sector in Australia

In 2001, Aldi, the German discount supermarket chain, opened its first two stores in Australia. At that time, the Australian grocery sector was highly concentrated, dominated by Woolworths and Coles Supermarkets who together accounted for 76 per cent of the market. There were customers who were price sensitive and there were a number of retailers who could be described as discounters, but those customers who were very price sensitive were not a high priority for the major supermarkets.

Aldi targeted these customers by pursuing a low-price strategy. It was able to do this by focusing on a limited range of products, most of which (90 per cent) were exclusive own brands. While Aldi never stocked more than 2,000 different products, the bigger supermarkets typically carried between 20,000 and 30,000. The products Aldi selected were core products, essential buys for many customers, and they were only retained if their turnover was consistently high. Aldi's policy of selling its own brands also enabled it to keep costs down because it was able to avoid the high advertising and marketing costs that contribute to the higher price of the national named brands that were stocked by incumbents.

There were a number of other features of Aldi's strategy that deserve a mention. Dunford and Benveniste (2005) report that Aldi was quick (the first in the industry) to pass on lower costs and the last to increase the price that customers had to pay when costs increased. But the company's value proposition was not restricted to low prices. It pursued a policy of low prices *and* high quality. Suppliers had to guarantee high quality before their products could be considered for listing as an Aldi own label.

Aldi also maintained customers' interest by introducing 'surprise buys', products such as tools, fishing or other sports equipment, televisions and computers, which were carefully sourced and bought in bulk so that prices could be kept low and quality assured. These surprise buys were changed on a regular basis and only sold in store for a fixed period.

Incumbents paid little attention to Aldi's entrance into the Australian market because it was only regarded as a supplier of a bare-bones shopping experience that would not have wide appeal. However, word of mouth soon spread the message that Aldi's products were high quality, in many cases better than well-known brands. The message also spread about its low prices and how much cheaper a family shop from Aldi was compared to a basket of similar products bought from one of the major chains.

By 2018, Aldi had opened over 500 outlets in Australia and had captured more than 13 per cent of the market. In that year it was also voted Australia's most trusted brand.



The Aldi example conforms to Christensen's definition of a disrupter, but now let us consider Uber (Case Study 4.1).

CASE STUDY 4.1 Was Uber a disrupter?

Christensen et al. (2015) assert that Uber was not a disrupter.

- **Draw on your knowledge of Uber (seek additional information, if necessary) to determine whether or not you agree with Christensen et al.'s opinion.**
- **Prepare a short statement to justify your answer.**
- **Compare your assessment with that provided in the second part of this case (Case Study 4.2) later in this chapter.**

The digital revolution

One of the major external triggers for change in recent times has been the digital revolution. Digital technologies have provided access to sources of supply that were previously impossible or too expensive to access, exposed untapped demand, reduced transaction costs, and created opportunities for entrepreneurs to connect sources of supply with demand in new ways. Some digital technologies have been disruptive, but others have supported a process of sustaining innovation, providing organizations with the opportunity to streamline their supply chains, automate decision making, reduce costs, and use big data to better understand their customers.

Digital technology has also provided benefits for consumers, both business and personal. Dawson et al. (2016) observe that consumers can use search engines to find solutions to problems and find exactly what they want, and access information when and where they want to. This is one of the issues discussed by Mick Yates in his video 'The implications of big data', outlined below in Managing Change in Practice 4.1.

MANAGING CHANGE IN PRACTICE 4.1 Mick Yates: The implications of big data

Mick Yates was responsible for international markets at Dunhumby, a company that sees itself as the global leader in helping businesses make better, more customer-focused business decisions. For many years he was company group chairman of Johnson & Johnson's consumer business in Asia-Pacific, based in Singapore. Prior to this, he spent 22 years at Procter & Gamble, latterly as regional vice president based in Hong Kong and then in Japan. In all, he has spent 11 years as a regional CEO of Asian businesses.

Mick offers some useful insights into how big data can affect the agenda for change. Before watching his video on the book's companion website at bloomsbury.pub/hayes-change-management-6e, think about:

1. **How does big data change organizations?**
2. **What kind of issues could make it difficult for organizations to embrace big data?**

The disruptive effect of digital technology had an early impact on the newspaper industry, accommodation and hospitality, music and home entertainment, car hire and retail, and it is continuing to disrupt other industries and markets all the time. Caudron and van Peteghem (2014) catalogued some of the potentially disruptive business models that depend on digital technology. These include on-demand, freemium, completely free, the marketplace, access over ownership, and ecosystem business models:

- *On-demand*: generates revenue by satisfying customers' requirements immediately. For example, customers can use apps to access rides (Uber), a wide range of personal services (TaskRabbit) or

more specialized services such as instant flowers or laundry services. The service provider brings together those able to provide an instant service with those who want the service on demand.

- *Freemium*: gives customers free access to a basic service but charges for more advanced features. This model works well when the marginal cost of providing the service is very low because the free version attracts large numbers of users, some of whom will be persuaded to pay for the add-ons – a 1 per cent conversion rate is often the target. Examples of companies that use this business model include Dropbox (users can pay for extra storage) and Spotify (the premium service is ad-free).
- *Completely free*: the end user is not charged; revenues come from advertisers. Providing the service free attracts large numbers of users and this attracts the advertisers. The service provider can mine the data collected from users to create opportunities for targeted advertising, which generates more revenue. This business model is used by companies such as Google and Facebook.
- *The marketplace*: a platform that others can use to interact with each other. Platform providers, such as eBay and Alibaba, generate revenue by taking a percentage of all transactions between the buyers and sellers who use their platform.
- *Access over ownership*: the greater transparency offered by digital technologies enables companies to bring together those who have unused resources with others who want access to those resources on an intermittent basis, and they charge a commission for this service. Airbnb facilitates room sharing for the benefit of homeowners and those searching for accommodation. Another example is Park Circa, which enables homeowners to share their empty drives with drivers who want a cheap and convenient place to park. Businesses can use this model to access warehouse accommodation, jetties and bulk storage tanks in ports, and office space and other resources elsewhere.
- *The ecosystem*: exists when companies like Apple provide a wide range of interrelated products and services valued by consumers. As consumers begin to use more of the elements of the ecosystem, they become more dependent on it. Apple's ecosystem, for example, includes devices, services such as iCloud and the App Store, third-party applications and much more.

Often, disruption is caused by outsiders introducing a new business model that undermines the way incumbents do business. Dawson et al. (2016) argue that incumbents can be especially vulnerable when they focus too much attention on trying to improve what they do (sustaining innovation, referred to above) and fail to recognize the threat posed by new entrants who are experimenting with different ways of doing business:

Over the decades hard-drive makers have laboured to develop ever more efficient ways to build and sell storage. Then Apple (among others) came along and transformed storage from a product into a service, Dropbox upped the ante by offering free online storage, and suddenly an entire industry is on shaky ground, with its value structure in upheaval.

Incumbents can survive the possibility of been driven out of business if they identify emerging threats in good time. Bradley and O'Toole (2016) stress the importance of detecting faint signals amidst the noise of everyday business and cite the example of PolyGram, one of the world's top record labels, to illustrate their point. The CEO of Koninklijke Philips, PolyGram's parent company, recognized a potential threat when he came across research indicating that consumers were using one of their own products, the recordable CD-ROM, to copy music. He persuaded his board that the best way of avoiding the threat was to sell PolyGram as quickly as possible, which they did for \$10.6 billion, a good move as the volume of compact discs and DVDs sold in the USA fell by 80 per cent over the following decade.

Exiting an industry is not the only way of responding to this kind of threat. Incumbent firms can explore the possibility of embracing the new technology and reorienting their whole business, or they can adopt a more cautious approach, at least to begin with, by nurturing new initiatives that embrace

the new technology and running them alongside their legacy business. However, responding in this way is not always easy. Big-bang disruptions, considered below, are hard to anticipate and organizing a response to any kind of disruption can be difficult if the potential disruption is not recognized by all senior managers across the business. Bradley and O'Toole (2016) observe that management teams are often more comfortable developing strategies for change within the business they know rather than developing strategies to develop a business they do not understand.

Christensen and colleagues signal the need for organizations to be alert to the potential threat posed by firms who target their low-value customers with affordable substitutes, because some of these firms may move upmarket and pick off their mainstream customers. Because this kind of disruptive threat often emerges gradually, it can give vigilant firms time to defend their position. There is, however, another form of disruption that can happen suddenly, without warning, giving incumbents little or no time to protect themselves.

Bounded big-bang disruption

Downes and Nunes (2013) coined the phrase 'big-bang disruption' to describe unplanned and often unintentional disruptions that come from nowhere but are instantly everywhere. The source of these big-bang disruptions are rarely firms from within the industry they disrupt. They tend to be outsiders who have different business models supported by different technologies. There are two kinds of big-bang disruption: bounded big-bang disruption and pervasive big-bang disruption.

'Bounded big-bang disruption' follows the introduction of a product or service that is immediately better than anything offered by incumbent organizations serving an existing market. Downes and Nunes (2013) point to the way navigation tools such as Google Maps disrupted the makers of high-end GPS devices. Navigation apps were preloaded on smartphones and many, such as Google Maps, were available for no additional charge. In effect, they were free to use. They were also, in many respects, better than the existing stand-alone devices produced by TomTom, Garmin and similar companies. For example, they are constantly being updated via the cloud and, as noted by Downes and Nunes, they provide almost seamless integration with mobile phone contacts list, the web, email and other apps such as Yell. The outcome was that Garmin lost 70 per cent and TomTom lost nearly 85 per cent of their market capitalization in the two years following the introduction of navigation apps.

Pervasive big-bang disruption

The effect of bounded big-bang disruptions are confined to a single organization, a collection of organizations engaged in similar activities or firms serving a particular market. The effects of 'pervasive big-bang disruptions' are much more extensive. They can disrupt the whole economic and social system, presenting opportunities for some and devastating threats for others. Van der Vegt et al. (2015, p. 971) note that, while at first, they may only seem to have local effects, they can soon 'snowball in magnitude and do damage to vital infrastructure that impedes events on a regional and even global scale'. They attribute this widespread impact to the increased density of global networks of people, organizations and countries. Song (2020) points to some of the consequences, including a large-scale halt in production, a dramatic hit on global supply chains, a steep decrease in consumption and a dramatic collapse in confidence.

Examples of pervasive big-bang disruptions include the eruption of the Eyjafjallajökull volcano in Iceland in 2010, when clouds of ash grounded flights across Europe and dislocated manufacturing supply chains around the world, the global financial crisis in 2008, described as the worst economic disaster since the Great Depression of 1929 and, more recently, the even more devastating COVID-19 pandemic. The COVID-19 pandemic has led to an unprecedented scale of disruption. The International Labour Office estimated that three months into the COVID-19 pandemic, 436 million organizations and own-account workers were facing high risks of serious disruption

(ILO, 2020a) and, by the end of June 2020, an estimated 15 per cent of global working hours had been lost, the equivalent of 400 million jobs (ILO, 2020b), and the situation continued to worsen.

Some organizations and some countries are much better than others at managing the consequences of big-bang disruptions. In the short term they do whatever is required to survive and, over the longer term, they adapt and bounce back. These different responses point to important lessons for those leading organizations and those charged with managing change. These will be explored elsewhere. In Chapters 8 and 9, the consequences for diagnosis are considered. In various other chapters, attention is given to shaping an appropriate change strategy (Chapter 10), developing emergency plans (Chapter 11) and building a more resilient organization (Chapter 13). Another important issue is managing people through the disruption. In Part IV, some of the implications for leadership, communication and the health and wellbeing of organizational members are considered.

Case Study 4.2 returns to the case of Uber.

CASE STUDY 4.2 Alternative explanations for Uber's success

Uber is often referred to as a disrupter, but Christensen et al. (2015) challenge this view. They assert that Uber was not a disrupter because its journey to market dominance did not begin by offering an inferior service to low-value customers, and then improving the quality of its services in order to appeal to mainstream customers. They argue that Uber's success was based on its ability to increase total demand by offering a better solution to a widespread customer need. It made a good product even better (a sustaining innovation) and was able to sell this better product to existing profitable customers.

Some challenge Christensen's view and argue that Uber was a disruptive innovator even though it targeted mainstream customers. The company adopted a different business model based on a platform that connects riders with drivers. It was this business model that enabled it to avoid being classified and regulated as a taxi firm and as an employer of drivers – thereby avoiding contractual obligations such as pension contributions, holiday and sick pay, and the payroll taxes that apply to traditional taxi firms. It was these differences that gave Uber the freedom to offer what many customers regard as a better service than that offered by most traditional taxi firms.

However, a 2021 Supreme Court ruling in the UK redefined Uber's drivers as workers, presenting an important challenge to the company's prized business model.



photo by Dan Gold on Unsplash

Often, the debate about external sources of change is dominated by a consideration of threats. Value innovation (an example of creative innovation, referred to earlier) is based on Kim and Mauborgne's (2005) blue ocean thinking. It focuses attention on the identification of opportunities and offers managers and entrepreneurs a practical framework for identifying and capturing new market space and a set of analytical tools – the strategy canvas, value curves and the four actions framework – they can use to identify promising opportunities for change. The essentials of value innovation are explored in Chapter 6.

So far, most of this discussion has focused attention on the alignment of the organization with its external environment and some of the factors that can disturb this, but managers also need to consider internal alignment and how internal misalignments can trigger change.

INTERNAL MISALIGNMENTS AS TRIGGERS FOR CHANGE

Greiner (1972) cautions managers about the danger of only attending to the external environment and the future. He asserts that, for many organizations, the most pressing problems are rooted more

in the organization's past decisions than present events and external dynamics. His view is that organizations evolve through five predictable stages of development, and each stage brings with it a set of alignment-related issues that have to be managed if the organization is to be effective. Each phase of Greiner's organization life cycle involves a prolonged period of evolutionary growth during which changes tend to be small and incremental, and these phases create their own crisis (due to internal misalignments) that end with a period of turmoil and revolution. Whereas Romanelli and Tushman (1994) believe that periods of discontinuous revolutionary change are triggered by changes in the external environment, Greiner argues that it is internal problems that trigger crises and cause discontinuous change (see [Figure 4.1](#) below). The way these crises are managed determines whether the organization will survive and move forward to the next phase of evolutionary growth. Managers need to be aware of where their organizations, and the component parts within the organization, are in terms of the five stages of development, and recognize the kinds of problems that need to be addressed.

According to Greiner (1972), each evolutionary period is characterized by a dominant management style, and each revolution is characterized by a dominant management problem that must be resolved if the organization is to continue to grow. The five phases are:

1. *Growth through creativity leading to a crisis of leadership:* At first, most organizations are preoccupied with identifying a market and creating a product. The founders are typically entrepreneurial and technically oriented and the organization's structure, systems and culture tend to be informal. But as the organization grows, the need for more knowledge about the efficiencies of manufacturing, more professional systems for maintaining financial control, and more formal approaches for managing and developing people lead to a crisis of leadership. A new approach to managing and leading the business is required, but the founders may not be qualified to provide this. Sometimes, the only effective way forward is for the founders to bring in a strong business manager from outside; for example, Larry Page and Sergey Brin, the founders of Google, brought in Eric Schmidt to run the company.
2. *Growth through direction leading to a crisis of autonomy:* During the second phase of growth, organizations often differentiate activities and develop a functional organizational structure, along with a clear hierarchy, more formal communication systems, and more sophisticated accounting, inventory and manufacturing systems. Although this new level of order and direction delivers efficiencies, as the organization continues to grow, it eventually becomes less effective; for example, long communication chains delay decision making and set procedures prevent competent people taking initiatives. This leads to demands for greater autonomy.
3. *Growth through delegation leading to a crisis of control:* Delegation brings many benefits. Employees at lower levels are motivated and managers operating in a decentralized organizational structure can act faster. Eventually, however, they begin to lose sight of organization-wide goals, develop parochial mindsets and begin to work too independently. This gives rise to a need for greater coordination across the organization.
4. *Growth through coordination leading to a crisis of 'red tape':* Formal systems and procedures are introduced in order to facilitate greater coordination. While these measures align separate functions, departments and work groups around corporate goals, the creeping bureaucratization of the organization eventually stifles initiative and strangles growth.
5. *Growth through collaboration:* Greater spontaneity is encouraged through developing interpersonal competences, matrix and network structures and associated systems that enable people to work together in ways that rely more on social control and self-discipline than formal control and close monitoring from above.

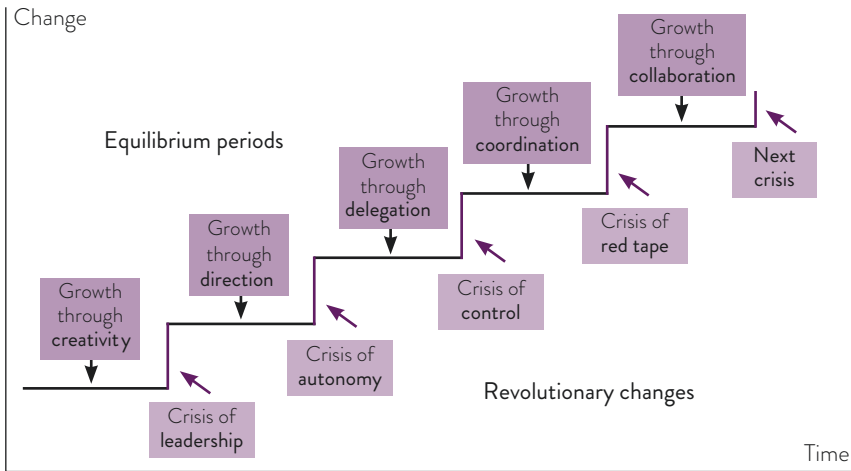


Figure 4.1 Internal factors that can trigger discontinuous change

Source: Reprinted by permission of Harvard Business Review, Exhibit II, The five phases of growth, in 'Evolution and revolution as organizations grow' by L.E. Greiner, 50(4), 1972. Copyright ©1972 by Harvard Business Publishing; all rights reserved.

(revolution), the critical task for change managers is to be aware of the organization's history and its current phase of development, and identify the new set of organization practices that will provide the way forward into the next period of evolutionary growth.

THE INTERPLAY OF EXTERNAL AND INTERNAL SOURCES OF CHANGE

Business startups provide a good example of how changes can be triggered by a constant stream of external and internal problems and opportunities that have to be addressed. Hugh Thomas and Joe Benn, while working for Vita Coco, a company that produces pure and flavoured coconut water, noticed that a growing number of customers were actively searching for sugar-free alternatives to high-sugar or sweetener-saturated soft drinks. At the time, there were few alternatives other than still and sparkling water. Having identified this gap in the market (an external source of change), they decided to launch their own business venture, Ugly Drinks, to produce and sell a range of 100 per cent natural, fruit-infused, sugar-free sparkling waters. In Hugh's video (see Managing Change in Practice 4.2), he describes how many of the challenges they encountered arose from emerging internal misalignments (internal sources of change), such as the need for more formal processes, the requirement to appoint new staff and inventory problems. But, at the same time, they were having to recognize and respond to external pressures that required them to tweak both the brand and the product.

MANAGING CHANGE IN PRACTICE 4.2 Hugh Thomas: Ugly Drinks, a new business venture

Hugh Thomas and his co-founder Joe Benn launched Ugly Drinks after identifying a gap in the market. Hugh describes how starting a business is different from working in an established large or medium-sized organization and talks about some of the challenges that have confronted them.

Before watching the video on the book's companion website at bloomsbury.pub/hayes-change-management-6e, think about what the work experience might be like for an entrepreneur starting a new business venture and consider how this might be different from the work experience of an employee working in a large established organization.

Figure 4.1 shows Greiner's five phases of evolutionary growth, during which there is a continuous stream of low intensity incremental changes, mapped onto the pattern of punctuated equilibrium – illustrated earlier in Figure 3.3. The periods of equilibrium are punctuated by periods of revolutionary change that have to be successfully negotiated if the organization is to survive and prosper.

According to Greiner, when organizations come to the end of one of the evolutionary phases and enter a period of crisis

SUMMARY

This chapter examines external and internal sources of change.

The PEST analytical framework draws attention to political, economic, sociocultural and technological factors that can be important external sources of change.

Innovation is also identified as a source of change. Established organizations often pursue sustaining innovation to make their products or services more appealing to customers, and efficiency innovations to reduce costs and maintain margins. But, as Christensen et al. (2016) point out, while efficiency innovations may enable firms to continue as profitable businesses, they can also make them less flexible and therefore more vulnerable to disruptive innovation.

The differences between Christensen's process of disruptive innovation and bounded big-bang disruption are explored. Pervasive big-bang disruptions, such as the COVID-19 pandemic, are also identified as a source of change.

The final part of the chapter assesses the utility of Greiner's life cycle model for identifying internal pressures for change and considers the interplay between internal and external sources of change.

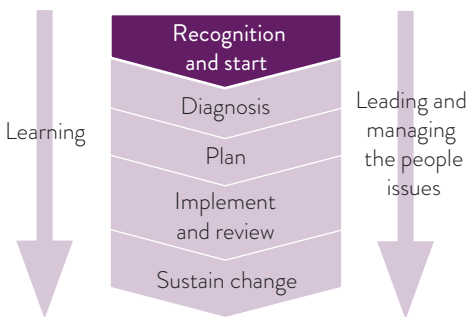


RECOGNIZING A NEED OR OPPORTUNITY FOR CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Understand the importance of developing a culture of vigilance and recognize what managers can do to improve their ability to identify opportunities and threats.
2. Describe how success can undermine an organization's culture of vigilance.
3. Explain the importance of attending to indicators of effectiveness.
4. Use an 'alignment check' change tool to assess the utility of the indicators of effectiveness that managers are using.
5. Assess the impact of functional conditioning and social influence on top team sensitivity to the need for change.
6. Discuss how people from various parts of an organization can contribute to the formulation of an agenda for change.



Organizations need to develop a 'culture of vigilance'. Hickman and Silva (1984) observe that most ailing organizations are blind to their own problems and argue that, in most cases, they are not suffering because they are unable to resolve their problems; they are suffering because they cannot *see* their problems.

Successful entrepreneurs seem to be particularly good at spotting opportunities and using their intuition to identify openings in situations where many others see only chaos, contradictions and confusion (Allinson et al., 2000). But sometimes entrepreneurs just stumble across an idea after experiencing a problem. For example,

Barringer and Ireland (2015) report that after Jay Sorenson dropped a cup of coffee in his lap because the paper cup was too hot, he invented the insulated cup sleeve and started a company to sell it. Since the venture was launched, over 4 billion Java Jacket cup sleeves have been sold.

While personal characteristics (such as intuition), or chance discoveries (such as the insulated cup sleeve), can lead to the identification of new business opportunities, the individual's circumstances can also be important. For some entrepreneurs, the decision to start a business comes *before* a business opportunity has been recognized, and this decision is often triggered by an external event such as redundancy or the realization that they have few opportunities for job satisfaction or career advancement. This was the case for the majority of the participants in Bhavé's (1994) study.

Those business founders who decided to start a new venture before identifying a business opportunity had to embark on a systematic search for a viable opportunity. Such searches are rarely random. Davidsson (2012) suggests that systematic searches tend to be focused on domains where the prospective entrepreneur has some prior experience, for example previous work, a hobby or some other source of prior knowledge.

Managers in established organizations often use tools such as PEST analysis to aid their search for opportunities and threats. PEST refers to the political, economic, sociocultural and technological factors described at the beginning of Chapter 4. You can test the utility of this framework by using it to identify opportunities and threats confronting the car industry in Germany (Case Study 5.1).

CASE STUDY 5.1 Using PEST to identify threats and opportunities confronting the German car industry

According to McGee (2018), the three big German carmakers (Volkswagen, Daimler and BMW) had enjoyed record sales for eight consecutive years, with Volkswagen surging ahead despite the bracing conditions facing the global industry (Campbell, 2019). The 800-plus German companies that are part of the supply stream had also shared this success.

Assume the time is early 2020, after the outbreak of the COVID-19 pandemic. Use the PEST analytical tool – political, economic, sociocultural and technological – to identify and list any recent trends or emerging circumstances that might point to threats that carmakers and their suppliers will have to manage or opportunities they could exploit.



Photo by Michael Marais on Unsplash

When you have completed this task:

- Compare the PEST factors you identified with those presented in the case debrief on the book's companion website.
- Consider whether the PEST analytical tool provided an adequate framework for identifying the emerging and pressing threats and opportunities confronting German carmakers.

Vigilance can be dented by cognitive biases. Schmitt et al. (2016) argue that senior managers are often exposed to more information than they can effectively process, so they develop mental models – subjective representations of their environment – which enable them to cope with this information overload. Problems can arise when managers become so committed to their mental model that they only attend to selected elements of the environment. The effects of cognitive biases have been widely reported. Al Humaidan and Sabatier (2017), for example, found that the way top management teams perceived their organization's environment affected their change agenda. Where they had an internal orientation, they focused on securing incremental changes that reinforced the existing business model, whereas where they had an external orientation, their change agenda focused on discontinuous renewal and the disruption of the organization's traditional business model.

This chapter reviews some of the factors that can affect an organization's ability to sense opportunities and threats and considers what managers can do to increase their vigilance in ways that will help them formulate an effective agenda for change.

ORGANIZATIONAL PATH DEPENDENCE AND THE TRAP OF SUCCESS

Nadler and Shaw (1995) offer support for Sydow et al.'s (2009) notion of organizational path dependence when they observe that one of the paradoxes of organizational life is that success often sets the stage for failure. This is because when organizations are successful, managers become locked into the patterns of behaviour that produced the original success. These patterns become codified or institutionalized and are rarely questioned.

Nadler and Shaw elaborate their argument with the proposition that success often leads to growth, and growth leads to complexity and greater differentiation. As this happens, attention shifts away from how the organization relates to the environment – it is taken for granted that this relationship will be successful – and is switched to managing the new and more complex relationships within the organization. Customers and suppliers receive less attention, and the competitive gains of rival organizations, for example in terms of reduced costs, more attractive products or shorter time to

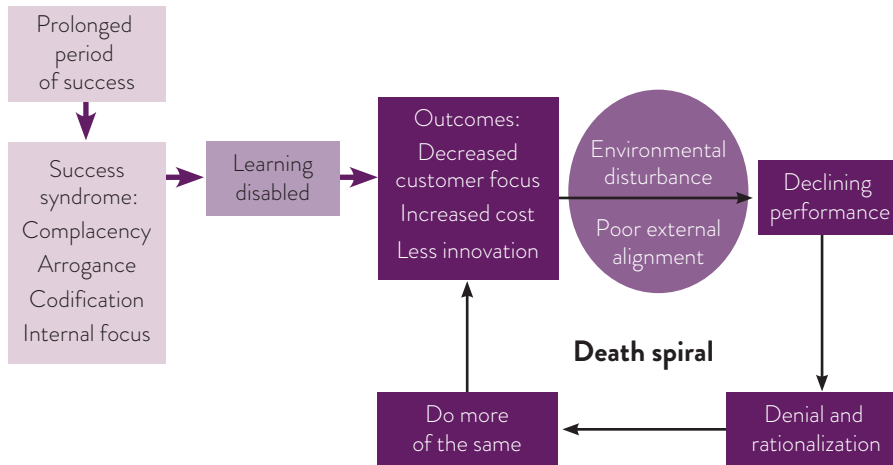


Figure 5.1 *The trap of success*

Source: Adapted from D.A. Nadler and R.B. Shaw, Figure 1.2, 'The trap of success', from 'Change leadership: Core competency for the twenty-first century'. In D.A. Nadler, R.B. Shaw and A.E. Walton, *Discontinuous Change: Leading Organizational Transformation*, p. 11. Copyright ©1995 by John Wiley & Sons Inc.

market, receive insufficient attention. When this complacency and internal focus lead to declining performance, the organization may behave as if the solution is to do more of what led to success in the past. Nadler and Shaw (1995) refer to a 'failure to learn'. Managers become incapable of looking outside, reflecting on success and failure, or accepting new ideas and developing new insights. If unchecked, the ultimate outcome of this trap of success can be, what they refer to as, the 'death spiral' (Figure 5.1).

Success can undermine resilience

Nadler and Shaw's description of organizations responding to declining performance by doing more of what led to their earlier success bears some resemblance to escalation of commitment, a self-reinforcing sequence, discussed in Chapter 1. Escalation of commitment leads to managers persisting with failing courses of action. Lengnick-Hall and Beck (2005) refer to it as a learned routine that disregards complexity. It produces habitual responses that reinforce consistency and previously established choices.

When organizations have to adapt to a changing environment, and especially when they have to cope quickly with big-bang disruptions like the COVID-19 pandemic, they need to develop routines that absorb rather than reduce complexity. Lengnick-Hall and Beck (2005) suggest that these are routines that help managers recognize exceptions and unexpected events, support the creation of plans that are malleable and sufficiently general that they can be used in a variety of situations, and make it unlikely that inappropriate decisions will be made. They increase the organization's ability to understand its current situation and develop responses that reflect that understanding. Situation awareness and constructive sense making, considered in Chapters 13 and 16, are essential ingredients that underpin this understanding.

It is not inevitable that a successful company will become incapable of learning. Some build on their success by monitoring their performance and engaging in the process of sustaining innovation, described in Chapter 4, working hard to improve the products and services they deliver to customers.

Sensing a need for change and formulating a change agenda begin when individuals notice and respond to what they perceive to be significant external or organizational events. Pitt et al. (2002) observe that sometimes the signals or events that cause individuals to sense that an issue

is important or urgent may be relatively weak but, based on their intuition and context-specific experience, some individuals are able to anticipate the implications of these signals.

Attending to indicators of effectiveness

Managers are responsible for ensuring that the organization, or the part of the organization they manage, performs effectively. Discrepancies between actual and desired levels of performance signal a need for change, but problems can arise when discrepancies are not recognized because managers restrict their attention to a narrow range of indicators and fail to pay attention to others that may be equally or even more important.

✓ EXERCISE 5.1 Indicators of effectiveness

Before reading on, make a note, in the space provided below, of the indicators that you believe are used to assess whether or not your organization – and your department or unit within the organization – is effective. If you are a student with little work experience, do the same for your department or the university as a whole.

Indicators of effectiveness

Organization

[Empty dotted-line box for notes on Organization indicators]

Department/unit

[Empty dotted-line box for notes on Department/unit indicators]

When you have completed this chapter, you might like to review these indicators and consider whether any of them need to be revised.

Some of the factors that managers might need to take into account when assessing performance include:

- *Purpose:* Many commercial organizations use profit as one of the main indicators of effectiveness, but this indicator might not apply to all organizations. While financial viability may be necessary for the survival of organizations such as religious orders, universities, hospitals

or charities, profit might not be viewed as a critical indicator of effectiveness. The effectiveness of hospitals in the British NHS, for example, might be judged on indicators such as waiting times and mortality rates rather than 'profit'. Similarly, profit might not be the critical indicator of the success of a family firm. The most important indicator might be how well it contributes to the family's socioemotional wealth. According to Gómez-Mejía et al. (2007, p. 108), socioemotional wealth includes:

The ability to exercise authority, the satisfaction of needs for belonging, affect, and intimacy, the perpetuation of family values through the business, the preservation of the family dynasty, the conservation of the family firm's social capital, the fulfillment of family obligations based on blood ties rather than on strict criteria of competence, and the opportunity to be altruistic to family members.

Change managers need to attend to performance indicators that reflect the purpose of their organization.

- *Stakeholder perspective:* Different stakeholders often use different indicators to assess an organization's effectiveness. Profit might be more important to shareholders than to workers. Suppliers, customers, employees and people in the wider community affected by the products and services (and pollution) produced by an organization will all have their own views on what should be taken into account when assessing whether or not it is effective.
- *Level of assessment:* Effectiveness can be assessed at different levels, for example the organization, subunit or individual employee. Paying attention only to overall performance might result in major inefficiencies within the organization going undetected.
- *Alignment:* Assessments of effectiveness need to be aligned up, down and across the organization. Indicators of individual and group effectiveness need to be aligned with indicators of departmental effectiveness, which, in turn, need to be aligned with indicators of organizational effectiveness (see Example 5.1 below).
- *Time perspective:* It has already been noted that, in some cases, profitability can be a useful indicator of organizational effectiveness. However, just because organization A is currently more profitable than organization B does not mean that A is the most effective organization. Organization B might be incurring higher costs and lower profits today in order to invest in new plant, product development and staff training in the belief that this will help to secure survival and growth over the longer term. The implication of this is that organizational leaders need to take account of the time perspective when assessing the effectiveness of particular departments or the organization as a whole.
- *Benchmarks:* Often, effectiveness is assessed in terms of some output-to-input ratio, such as the number of units produced per man-hour. It is assumed that any increase in output with constant or decreasing inputs represents greater effectiveness and vice versa. When making this kind of assessment, reference needs to be made to a standard or benchmark. For example, all producers within a given product category or industrial sector may have experienced efficiency gains because of the introduction of a new and widely available manufacturing system. In this context, the assessment of whether one particular producer has maintained or improved its effectiveness might need to include a comparison of this producer's performance relative to the performance of others. A company may have improved its output-to-input ratio, and therefore improved its efficiency, but may have achieved smaller improvements than other comparable producers. In these circumstances, the company may be deemed to be more efficient than it used to be but less effective than comparable companies.
- *Constraining and enabling factors:* Account also needs to be taken of any constraints that inhibit performance, or enabling factors that boost performance relative to other comparable

organizations. The new manufacturing system referred to above might produce levels of toxic emissions greater than the levels permitted by environmental regulations. These regulations may only apply to a minority of producers located in a particular region or country. In these circumstances, while a producer faced with strict environmental regulations might not improve output-to-input ratios as much as some of its competitors, it might achieve considerable success in modifying its production processes in a way that enables it to adopt the new manufacturing technology and improve efficiency enough to produce sufficient profit to survive. A failure to respond in this way may have resulted in the company going out of business. In terms of its ability to minimize the effect of the constraint imposed by environmental legislation, it might be deemed to be an effective organization.

- *Resilience:* The chaos and dislocation caused by big-bang disruptions have focused the attention of many organizations on the importance of resilience, the ability to absorb and recover from shocks. Banks have increased their capital reserves and other businesses have explored ways of developing organizational slack and building buffers that can be drawn on in times of crisis. But these measures can be expensive, creating a tension between resilience and efficiency. Schreffler (2012) reports that following the Great East Japan earthquake, Toyota considered expanding its parts inventories at vehicle plants but decided that this would not be cost-effective. It did introduce some measures to increase resilience, for example assuming greater control over its supply chain and taking steps to increase dual and triple sourcing of key components, but the company retained its famed, and very efficient, just-in-time delivery system.

When any of these factors are ignored, those assessing performance may fail to spot problems and identify the need for change in good time (Example 5.1).

EXAMPLE 5.1 Horizontal misalignments in a large US snacks and confectionery manufacturing company

The indicators used to assess the performance of different functions, such as production and marketing and sales, in a large US snacks and confectionery manufacturing company were not aligned with each other. One consequence was that managers working in different parts of the company often lost sight of the overall goal of the organization and focused their attention on the achievement of more immediate goals related to functional performance.

For example, in the face of strong price competition, marketing and sales sought to secure increased sales (related to their goal of maximizing revenue from sales) by offering customers fast delivery and customized products. While this strategy helped sales and marketing achieve its own performance targets, it undermined the effectiveness of manufacturing and distribution. In order to customize products and offer an immediate and flexible response to satisfy customers' just-in-time delivery requirements, the manufacturing function had to introduce short product runs, make greater use of overtime working, and hold higher stocks of work in progress. The distribution function also had to hold higher inventories of finished goods and, because of unpredictable demand, make more deliveries that involved part loads. The cost of meeting these new manufacturing and distribution requirements was greater than the net benefits achieved from the increased sales revenue, and threatened the organization's overall effectiveness. Figure 5.2 provides some examples of functional misalignment.

An investigation of this problem revealed a number of other misalignments indicated by the double-headed arrows shown in Figure 5.2. As can be seen from this example, it is not uncommon for organization subunits and individual employees to be rewarded for behaving in ways that have little to do with overall organizational effectiveness. Unless organizational leaders are alert to the need to monitor internal alignment, problems may go unrecognized for some time.



Photo by Robert Anasch on Unsplash

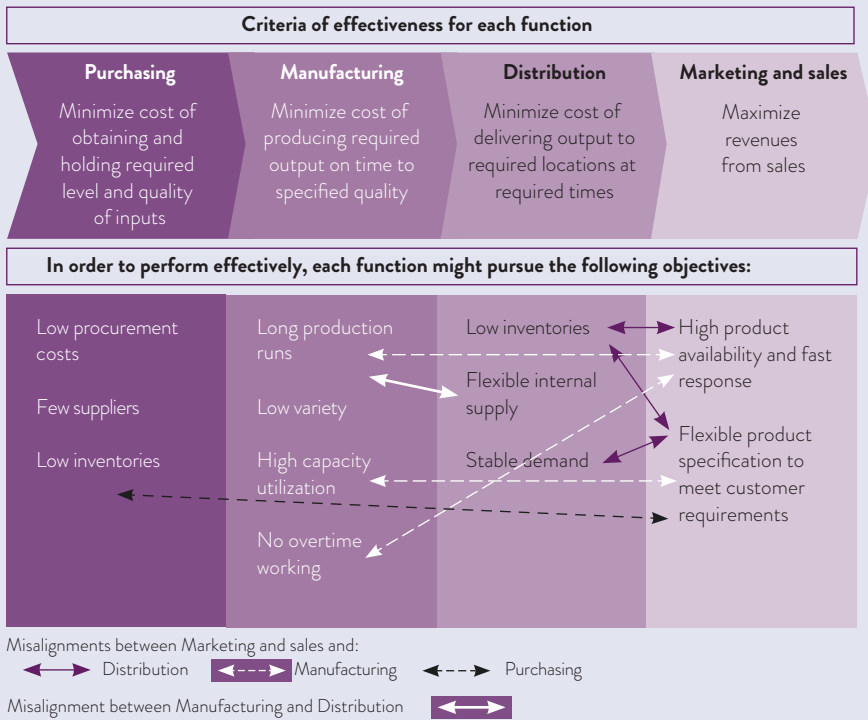


Figure 5.2 Examples of functional misalignment

The balanced scorecard

Many organizations have adopted the balanced scorecard to help managers widen the criteria they use to assess performance. Kaplan and Norton (2004) developed the balanced scorecard after observing that managers and others focus their attention on those aspects of performance that are measured and give little or no attention to those aspects of organizational functioning that are not measured, and the primary measurement system in most organizations was financial accounting. In their view, financial reporting systems fail to measure or provide a basis for managing the value created by an organization's intangible assets.

While the balanced scorecard includes financial measures to provide a useful summary of the results of actions previously taken, they are supplemented by measures of three other aspects of organizational functioning that can be important drivers of future financial performance: customer-related measures, internal business process measures, and measures of the infrastructure that facilitate long-term growth and improvement. The scorecard approach enables managers to review performance from these four perspectives against short- and long-term objectives:

1. *Financial perspective*: focuses attention on the financial objectives of the organization and helps managers track financial success in terms of variables such as return on investment, cash flow and shareholder value. It encourages managers to think about how the organization should appear to its shareholders.
2. *Customer perspective*: helps managers to think about customer objectives and how the organization should appear to customers.
3. *Internal process perspective*: helps managers to focus attention on operational goals and the key processes necessary to deliver customer objectives and satisfy shareholders.
4. *Learning and growth perspective*: focuses attention on the intangible drivers of future success, such as skills, training, organizational culture, leadership, systems and databases.

Figure 5.3 illustrates the kind of dashboard that can be constructed using the balanced scorecard approach. The ways in which the balanced scorecard can be used as a change management tool are discussed in Chapter 24.

Sensitivity of the top team

Many factors can affect what members of top teams pay attention to when assessing effectiveness and sensing the need for change. Functional/organizational conditioning and social influences are considered here.

It is often argued that functional conditioning (current and past functional experience) affects managers' cause-and-effect beliefs and directs their attention to issues related to these beliefs. Various studies support the validity of this view. For example, Cohen and Ebbesen (1979) found that goals that are salient during a task amplify the salience of information related to these goals, suggesting that executives who work or have worked in various functional areas will be influenced by the information and issues related to their various and different past experiences.

This argument can be widened to embrace organizational conditioning. Luo et al. (2020) argue that managers who are deeply embedded in their organization may have considerable local knowledge but little exposure to new ideas. They refer to this as the 'paradox of embedded agency'. These embedded managers may struggle to recognize a need or opportunity for change because they lack exposure to fresh ideas. They also point to a second paradox, the 'paradox of peripheral influence'. Managers who are not embedded in the organization, for example recent entrants, may be a source of fresh ideas but may struggle to effect change because of their peripheral or outsider status.

This led Luo et al. (2020) to explore whether these dual paradoxes could be overcome by managers who simultaneously have exposure to alternative institutional environments and are sufficiently embedded in the focal organization to gain trust and buy-in from other decision makers. Their argument was that such managers would be able to see the potential of new ideas and navigate their implementation successfully. Luo et al. (2020) conducted a study that focused on returnee directors who were reverse migrants to China. Their findings showed that their presence on firms' boards significantly affected the adoption of new practices. The effect of returnees was stronger than that of local directors who lacked relevant exposure and stronger than that of newly appointed foreign directors who were not embedded in the local enterprise.

Luo et al.'s (2020) findings reinforce the argument that when top teams are populated by executives with diverse backgrounds, for example different functional, organizational or international experience, and local knowledge, they are more likely to be sensitive to a wider range of internal and external issues that could impact on future performance.

Chattopadhyay et al. (1999) compared the impact of functional conditioning (based on past experience) with the impact of social influences on executive beliefs. They studied 371 executives working in 58 businesses across 26 industrial sectors and found that the beliefs of other members of the top team had a much greater effect on collective sense making than members' own functional experience. This raises the possibility that groupthink, where people become so focused on maintaining group cohesion that they lose their ability to think independently and make good,

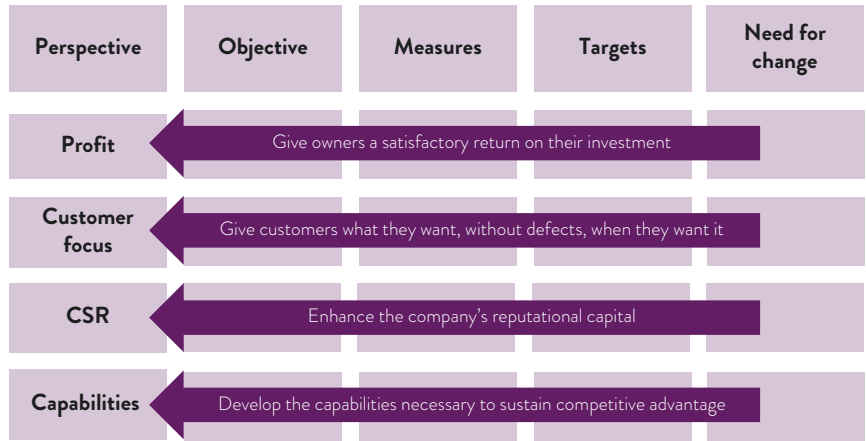


Figure 5.3 A dashboard based on a balanced scorecard approach

sound judgements (discussed in Chapter 28), could undermine even a diverse top team's ability to recognize the need for change.

Change Tool 5.1 can be used to challenge your thinking about the indicators you and others use to assess your unit's performance and the quality of your unit's alignment with suppliers and customers. This kind of analysis can alert you to:

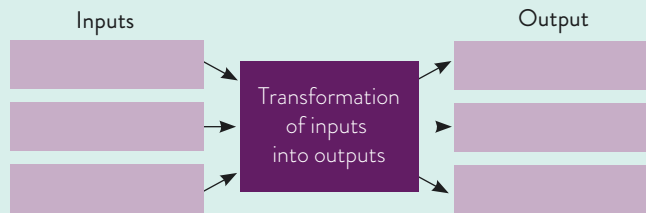
- the need to reconsider the criteria you use to judge your own unit's performance
- changes that will improve the quality of the alignment between your unit and the 'customers' who receive whatever it is you export as outputs
- changes you might need to negotiate with your suppliers to improve the value of the inputs you receive from them.

CHANGE TOOL 5.1 Alignment check between your unit and your customers and suppliers

Think of your organization, department or work group in terms of a process that transforms inputs into outputs.

Step 1

Identify the major inputs and outputs and make a note of them in the space provided. Depending on the time available, focus on one or more inputs *and* one or more outputs.



Step 2

Select one *input* and identify the work group, department, or external supplier that provides it.

Step 3

Assess how effective you think this supplier is:

- List the indicators *you* use to assess the effectiveness of the supplier.
- Against each indicator, note *your* assessment of how effective the supplier is. Use a five-point scale, where 1 = very ineffective and 5 = very effective.

Step 4

Think about how members of the supplying organization, department or work group rate their own effectiveness:

- List the indicators *they* use to assess their own effectiveness.
- Against each indicator, note how you think *they* rate their own effectiveness.

Indicators I use to assess the effectiveness of the supplier	My assessment		Indicators they use to assess their effectiveness	Their assessment

Step 5

Compare the two lists. Do they suggest any actual or potential problems that could undermine the effectiveness of your unit? If so, specify below.

Now repeat steps 2–5 for one of your *outputs*.

Step 6

Select one *output* and identify the work group, department, or external customer that receives it.

Step 7

Assess how effective you think your unit is:

- List the indicators *you* use to assess the effectiveness of your unit (with respect to the supply of the focal output).
- Against each indicator, note *your* assessment of how effective you think your unit is. Use a five-point scale, where 1 = very ineffective and 5 = very effective.

Step 8

Think about how members of the receiving work group, department or organization rate the effectiveness of your unit:

- List the indicators you think *they* use to assess your unit's effectiveness.
- Against each indicator, note how you think *they* rate the effectiveness of your unit.

Indicators I use to assess the effectiveness of my unit	My assessment		Indicators customers use to assess the effectiveness of my unit	Their assessment

Step 9

Compare the two lists. Do they suggest any actual or potential problems that could undermine the effectiveness of your unit?

If you do not have sufficient work experience to complete this exercise as specified above, you can use it as a template for a mini research study. Interview a manager (or the owner of a small business such as a café) and identify the criteria they use to assess the quality of whatever it is they provide for their customers. Then ask them to put themselves in their customers' shoes and speculate about the criteria customers use to assess the quality of the product or service they receive. Consider whether this process helps the manager identify any discrepancies in the criteria they and their customers use, and whether such discrepancies signal a need for change. You could extend this exercise by interviewing one or more customers to check out whether the manager really is aware of the criteria customers use to assess their performance.

SHAPING THE AGENDA FOR CHANGE

According to Pitt et al. (2002), issues emerge and are shaped to form the 'agenda for change' through various forms of individual initiative. While agenda-forming initiatives are often restricted to senior managers at the top of the organization, people located at multiple levels in the hierarchy can also make a valuable contribution. Thompson (2012) echoes this view and asserts that those employees who interact directly with customers can be the first to learn about product shortcomings or pick up on what competitors are doing to increase their market share. He goes on to argue that people throughout the organization can have valuable insights about opportunities for change but, all too often, these potential contributions are lost.

Pitt et al. (2002) assert that if ideas and concerns are to have any impact on what the organization does, they must receive some minimal level of collective attention and be recognized as having

sufficient priority to deserve further consideration. Personal concerns compete for collective attention and interpretation.

Political behaviour to promote self-interest and strong ideologies that marginalize minority or dissenting views and promote groupthink are some of the factors that can affect which issues emerge as part of the agenda for change. Thompson (2012) observes that recognizing and using the valuable information that is scattered around the organization is one of the key business challenges of the modern age.

The role of playmakers

The individuals who influence the organizational agenda are referred to by Pitt et al. (2002) as 'playmakers', a term they borrow from football, where it refers to the restless, energetic midfield role that links play, energizes the team and 'makes things happen'. They argue that these playmakers do not always have to form an exclusive elite. Top managers can encourage other organizational members to perform playmaker roles by seeking out relevant opinions from those who are close to the realities of the operating environment; however, in many organizations, this does not happen – see the discussion of organizational silence in Chapter 20. Widening the opportunity for organizational members to engage in playmaking can greatly improve an organization's ability to recognize the need to take action to either minimize threats or exploit new possibilities.

Case Study 5.2 on the Active Sports Equipment Company provides a good example of how people located at different points in the organization have the potential to make a valuable contribution to the formulation of the change agenda.

CASE STUDY 5.2 The Active Sports Equipment Company

The Active Sports Equipment Company (ASE), as it is referred to here, is a small to medium-sized enterprise (SME), manufacturing high-quality sports equipment. It was founded 35 years ago and currently employs around 80 people to manufacture and sell a specialist piece of sporting equipment. Current turnover is £5 million and 65 per cent of output is exported worldwide. The founder of the company is a mechanical engineer. He established ASE to produce a specialist piece of sports equipment based on his own original and highly innovative design. He is still the managing director and his obsessive concern with the details of design and engineering excellence dominate the culture of the company.

This concern for engineering excellence has served the company well, and it has built itself an enviable reputation as the standard by which all other sporting equipment in this specialist category is judged, despite the fact that the basic design of ASE's product has evolved little over the years. Recently, however, a number of challenges to this dominant position have emerged as other sports equipment manufacturers have sought to enter what they regard as an attractive market with newer designs. These newcomers compete effectively on price and many aspects of performance and specification, although they still fail to match ASE's product on ease and speed of assembly and the compactness of the fold for transportation. Much of the success of the ASE product is based on its well-engineered and robust construction that enables it to be folded and unfolded easily and quickly. However, it is with such challenges in mind that ASE introduced a number of innovations, the most significant of which was the option of a number of titanium parts that deliver important weight-saving advantages.

But what about the future? ASE might continue to focus on its core competence and seek to retain its current competitive advantage by further improving the design of its product. Product and production engineering are highly valued within the company. There is no doubt that it is engineering that has created the ASE brand and made it what it is today, but there is the risk that engineering alone may not guarantee that the current record of success will be sustained.



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A number of other possibilities are deserving of attention:

1. Some managers see opportunities for improving the effectiveness of the company by reviewing the way it functions. Like many SMEs, ASE appears to have pursued a rather informal approach to the development of its own internal organization. This reflects the priority given to the development of product and production processes in the early years. Since then, staff roles have been redefined and new ones created on an ad hoc basis to reflect the changing demands on the business. There may be advantages to be gained from improving internal communication and planning processes or reviewing the way the organization is structured. Such changes might lead to superior performance by improving internal alignment.
2. Other managers are aware of opportunities in the marketplace. An experienced marketing manager was recruited from outside two years ago and although he was included in the top management team his appointment has not had much impact on the company's overall culture, which continues to be engineering led. More attention to marketing issues might help to ensure that if and when customer needs change, this will be recognized in good time by those who control the strategic agenda.
3. Related opportunities might involve building alliances between product engineering and marketing to extend the product range and exploit the ASE brand.
4. People working in the production departments are also aware of opportunities to reduce manufacturing costs but are reluctant to voice these because they suspect they may lead to job losses.

If you were a manager in ASE aware of some of these issues, would you actively try to influence the company's strategic agenda? If not, why not? If you would, how would you attempt to do this?

Source: This case study is based on contributions from Andy Shrimpton.

Problems relating to the recognition of the need for change are more likely to arise in those organizations where alternative perspectives and interpretations are ignored or suppressed than in those organizations where they are actively sought out and debated. Such debates will not necessarily lead to major changes, but at least they ensure that the possibility of new threats or opportunities is properly considered. There are many examples of companies that have continued to exploit, for many years, whatever it is that has provided them with a competitive advantage. This can be a healthy state of affairs so long as care is exercised to avoid complacency and the trap of success.

SUMMARY

This chapter considers the importance of developing a culture of vigilance and recognizing what managers can do to improve their ability to identify opportunities and threats.

Sensing a need for change and formulating a change agenda begins when individuals notice and respond to what they perceive to be significant external or organizational events. Discrepancies between actual and desired levels of performance signal a need for change, but problems can arise when discrepancies are not recognized because attention is restricted to a narrow range of indicators. Some of the indicators that need to be monitored are reviewed.

The final part of the chapter focuses attention on issues that can affect the formulation of the agenda for change. While formulating the agenda for change is often restricted to senior managers, people located at multiple levels in the hierarchy may be well placed to make a valuable input. However, their contribution may not be sufficient to guarantee that the organization will address the issues they identify as important.

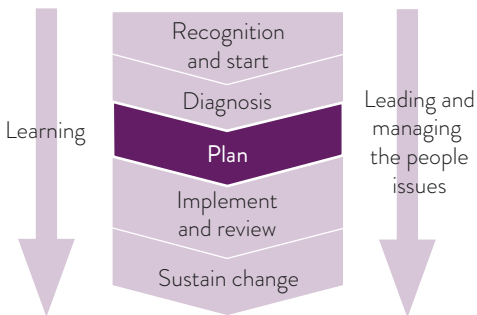


USING VALUE INNOVATION TO PROACTIVELY IDENTIFY NEW OPPORTUNITIES

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Know how to generate new value propositions that will deliver superior value for customers and lower costs for the organization.
2. Explain why opportunities for developing businesses can be missed when too much attention is focused on securing competitive advantage.
3. Critically assess the utility of Kim and Mauborgne's concept of 'blue ocean thinking'.
4. Define the three essential tools of value innovation.
5. Describe how value innovation can create a readiness for change by articulating and challenging the current strategy.
6. Justify the importance of challenging the boundaries that define an organization's existing market space.
7. Identify what managers can do to protect a new market space.



Value innovation, developed by Kim and Mauborgne and popularized in their book *Blue Ocean Strategy* (Kim and Mauborgne, 2005), provides managers and aspiring entrepreneurs with a set of tools they can use to pursue superior value for customers and lower costs for themselves. Kim and Mauborgne assert that all too often managers and aspiring entrepreneurs fail to identify some of the most promising opportunities for developing their business because they focus too much attention on securing competitive advantage. They advocate an alternative strategy that directs attention towards discovering new market spaces rather than beating the competition.

RED AND BLUE OCEAN STRATEGIES

When managers focus all their attention on securing competitive advantage, they can find themselves embroiled in an ongoing struggle to win new or protect existing market share. And when markets are only growing slowly, are flat or are shrinking, this struggle to outperform rivals can be cut-throat and bloody, and firms can find themselves swimming in a blood-stained red ocean.

Blue oceans are the unknown market spaces that offer the possibility of profitable and rapid growth through the creation of new industries or new markets within existing industries. Blue ocean strategic thinking is directed towards discovering these new market spaces and creating value for customers. It requires managers to look beyond the boundaries that constrain conventional red ocean thinking and search for new products or services that will be attractive to a mass of customers.

To achieve this step, those leading change need to think outside the taken-for-granted boundaries and challenge the assumptions that dominate their red ocean thinking.

VALUE INNOVATION

Value innovation is based on blue ocean thinking. It offers managers and entrepreneurs a practical framework for identifying and capturing new market space and a set of analytical tools they can use to pursue superior value for customers and lower costs for themselves. The three essential tools are the strategy canvas, value curves and the four actions framework.

The strategy canvas

The strategy canvas is an overarching diagnostic framework that provides a graphic and easily understood picture of the strategic profile of an industry and the key players within it (see [Figure 6.1](#)). The factors that firms in the industry identify as important and compete on are mapped onto the horizontal axis of the strategy canvas. The vertical axis shows the extent to which the industry and selected key players invest in each of these competitive factors. A high factor score shows that customers are offered more or, in the case of price, are charged more.

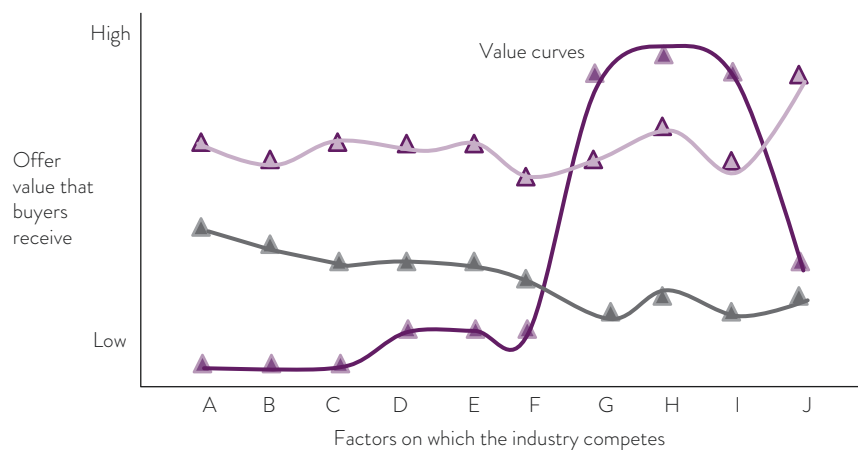


Figure 6.1 The strategy canvas populated by three value curves

Source: Based on Kim and Mauborgne, 2005.

Value curves

Value curves are the essential component of the strategy canvas. They ‘join the dots’ and show what a firm offers to customers. Managers can compare their firm’s value profile with those offered by competitors.

The four actions framework

Firms competing in red oceans benchmark themselves against the competition. Their strategy is to provide marginal improvements on some or all of the competitive factors that rivals believe to be important. Value innovation rejects this as the way forward.

Managers, and entrepreneurs seeking to found new business ventures, can use the strategy canvas to discover what firms competing in a given market currently offer to customers (their value profiles) and interrogate these data using the four actions framework to challenge the industry’s strategic logic, pinpoint new opportunities and construct a new value curve.

The four actions framework comprises four questions:

1. Which of the factors that the industry takes for granted could be *eliminated*?
2. Which of the factors could be *reduced* well below industry standards?
3. Which of the factors could be *raised* well above industry standards?
4. Which factors could be *created* that the industry has never offered?

Eliminate and reduce

Attending to the first two actions offers the possibility of lowering costs for the firm while not damaging the value offered to a mass of buyers.

The question relating to the first of the four actions pushes managers to confront what their industry takes for granted. All too often, firms fail to identify factors that could be eliminated because they pay more attention to what competitors provide than to what customers want, and if they observe competitors investing more in some factors, they believe that they must match this investment to protect their market share. Consequently, they may invest in factors that customers do not value.

Similar beliefs regarding the need to match or outdo the competition can create circumstances where managers fail to recognize the point when they have overinvested in some factors, referred to in Chapter 4 as 'overshoot'. And this may lead them to provide more of these factors than customers actually require. For example, while most customers might value the services provided by a hotel receptionist, do they all demand that every hotel has a reception staffed 24/7? Could the investment in this factor be reduced?

Raise and create

Attending to the last two actions offers the possibility of increasing the value offered to buyers.

The third question in the four actions framework, which considers factors that could be raised above industry standards, encourages managers to explore the issues that limit the value of a product or service for customers. For example, an inconvenience associated with town centre shopping is the limited availability and high cost of car parking. Providing free parking in a multistorey car park adjacent to a high-street store or in a car park next to an out-of-town shopping centre can enhance the shopping experience, especially when customers regularly purchase bulky products such as groceries.

The fourth question relates to factors that, so far, have not been recognized as important. It has already been noted that cognitive biases and interpretive frames can constrain thinking about customers and markets, and restrict attention to factors already considered important. Thinking across boundaries can challenge this blinkered worldview.

Challenging conventional thinking

In order to discover blue oceans, Kim and Mauborgne (1999) advocate that managers look across the boundaries that traditionally define the market space within which they compete. They might think about the following seven areas.

Substitute products

When customers are considering the purchase of a product or service, they may also think about alternative products or services that could satisfy their need. For example, when considering the purchase of a car for commuting to work, they might weigh the relative value of taking a bus or hiring a taxi. Thinking about the space between these options might point to new opportunities for value innovation such as ride hailing.

Complementary products

The value of some products is affected by complementary products. Earlier, reference was made to how the provision of free parking can enhance the value of a shopping experience.

Strategic groups and market segments within industries

Competition within an industry often gives rise to differentiation as rivals offer features targeted at different groups of customers. In France, Accor developed Formula 1 hotels, a business that thrived in a previously unoccupied market space between one-star and two-star hotels.

The requirements of people who can affect the purchase decision

There are many different individuals or groups who can influence a purchase decision, such as buyers working in procurement, users who are the frontline consumers of a product or service, and influencers who neither pay for nor use a service but can still affect the purchase decision. Kim and Mauborgne (1999) describe how Philips launched a value innovation that boosted its industrial lighting business by shifting attention from buyers (who based their purchase decision on the cost and working life of a light bulb) to the chief financial officer and PR staff who were concerned about the disposal of used bulbs that contained environmentally toxic mercury. By developing an environmentally friendly bulb that addressed their concerns, Philips was able to open up a profitable new market space.

Functional and emotional appeal

Kim and Mauborgne (1999) observe that while many firms compete mainly on the basis of price and functional utility, others target feelings and emotions. Stripping back expensive features that provide emotional appeal might provide a no-nonsense inexpensive product that some customers will value. Similarly, enhancing the emotional appeal of a utilitarian product, such as a pair of jeans, could also attract new customers.

Looking forward across trends to identify what customers might value in the future

Rather than just extrapolating a past trend to identify what customers will want in the future, it may be possible to identify blue oceans by looking *across* trends. For example, one trend in car ownership indicates a shift away from diesel to petrol and, ultimately, to hybrid and all-electric vehicles. Another trend, based on developments in artificial intelligence, is towards driverless cars. Both these trends might point car producers towards the development of a new type of car that people will want to buy. But there is another trend that could point car producers towards the development of a different kind of product. As noted in Chapter 4, around the world, the rate of urbanization is accelerating and more and more people are living and working in congested cities. This change could affect how people will value car ownership in the future as, for example, they find it more difficult to park a car overnight or find a parking spot at the end of a journey. The outcome could be that they begin to place a higher value on mobility than on owning their own car. There is evidence that some firms have already identified this new market space. Campbell and Hook (2017) report that Mercedes-Benz is planning to develop a network of driverless cars that can be booked via an Uber app. Pressure from governments to reduce noxious emissions and promote climate change is another force that could reinforce these shifts.

Looking back across temporal boundaries

De Massis et al. (2016) highlight time as a seventh boundary that deserves attention. They point to new opportunities that can exist in industries where customers exhibit enduring needs and argue that, in some cases, they can be satisfied by 'managing the tension between preservation and adaptation.' They cite several examples of companies that have accessed knowledge from their past to create new market opportunities. One is Aboca, a long-established Italian beauty products business,

that drew on traditional knowledge to identify and research the properties of medicinal herbs, and used this knowledge to create a new range of health and beauty products that eliminated many of the side effects of contemporary products that were not valued by customers.

Firms competing within red oceans often take boundaries and market structures for granted. Kim and Mauborgne (2004a) describe this as a worldview characterized by environmental determinism and contrast it with a reconstructionist view that asserts that managers can reconstruct their industries by looking across the type of boundaries mentioned above. Engaging in this kind of proactive search can reveal blue oceans and market opportunities that others have failed to discover.

While value innovations often involve the provision of products or services for a new market space, they can also relate to other aspects of organizational functioning that contribute to the creation of value. One example, presented in Case Study 6.1 (see below), is the transformation of leadership effectiveness in Norwich Union Life.

IMPLEMENTATION

The discussion so far has considered different approaches to formulating strategy (red and blue ocean strategies), the notion of value innovation (that involves simultaneously pursuing superior value for customers and lower costs for the supplier) and a set of analytical tools that can be used to help achieve these goals (the strategy canvas, value curves and the four actions framework). This section focuses attention on implementing these ideas and considers a methodology for doing this.

Underpinning the process model for managing change that provides the conceptual framework for this book is Lewin's (1951) three-step process. This involves:

1. Creating a readiness for change
2. Moving to a new state of affairs
3. Sustaining the change.

Implementing value innovation requires attending to each of these three steps.

Creating a readiness for change by articulating and challenging the current strategy

Creating readiness for change can be done by helping those responsible for formulating strategy to develop a better understanding and critical assessment of the strengths and weakness of their current approach. One way of doing this is to invite them to identify the factors on which they and rivals compete and help them draw value curves for their own organization and their main competitors. This can then provide the basis for discussing:

- the extent to which the value curves of competitors within the industry converge and focus on the same competitive factors
- how their own value curve compares with others
- limitations that the market imposes on the future growth of revenues and profits.

It is not always easy for a group of executives to construct value curves because different individuals may focus their attention on different issues, often determined by their roles and responsibilities. But when managers from different parts of the organization, such as marketing, production, engineering, procurement and finance, interact to construct the value curve for their own organization, there is a strong chance they will start to develop a shared mental model. Individuals will always see things a bit differently, but the more they can develop a rich shared perspective, the more likely they are to better appreciate the competitive features of their industry and the value they and competitors currently provide to customers. This process can help them recognize the extent to which they

are competing in a red ocean and the potential benefit that might be gained by identifying and occupying new market spaces.

Kim and Mauborgne (2002) argue that the strategy canvas provides an effective framework for both articulating and challenging the value of an organization's current strategic logic because it involves working with pictures rather than long, dense and detailed written reports. They also argue that pictures provide an effective way of communicating the new strategy, when agreed, across the organization.

Searching for new opportunities, exploring possibilities for value innovation and formulating a new strategy

This step begins with a search for new opportunities. The importance of looking across the boundaries that define firms' existing market space has already been mentioned. Kim and Mauborgne (2002) advocate sending managers out into the field to find out how and why existing customers use their products or services, why lost customers no longer use them and why non-customers use substitutes, for example why do some people never consider buying a new build property and always purchase existing (second-hand) houses. An alternative way of collecting information for this sense-making activity is to employ others to do the data gathering, but senior managers can gain valuable insights from more direct, hands-on involvement.

Following their investigations, managers come together to share their findings and apply the four actions framework to explore possibilities for value innovation, agree the shape of a new (blue ocean) value curve, and communicate this vision to those who will need to act in concert and align their efforts to ensure it is achieved.

Making it happen

Attention also needs to be given to what senior managers can do to remove obstacles and create the conditions that will enable others to work in ways that will support the new strategy. For example, they might agree that all new investment decisions should be informed by the new strategy and that, when reviewing the performance of individuals, groups and departments, their efforts to make the new strategy work should be taken into account.

In Case Study 6.1 (see below), a major element of the change project was directed towards improving the capability of leaders to facilitate the transformation of customer service effectiveness.

SUSTAINING THE CHANGE AND PROTECTING NEW MARKET SPACE

If value innovation produces a new value curve that succeeds in delivering superior value to customers and lower costs (and thereby superior value) to the firm that provides the product or service, others will notice this beneficial state and be motivated to imitate, to move in and invade the recently discovered new market space. Sometimes, this will be difficult because the innovator is able to protect their new product or service through a patent or some other restriction that limits a potential competitor's access to necessary intellectual property or other resources. However, there will be occasions where such entry barriers do not exist and imitation is a very real possibility. But there may still be things that a value innovator can do to protect their new market space. Kim and Mauborgne (1999) suggest, for example, that the pioneer value innovator can make imitation more difficult by strategically pricing their new product or service at a level that will quickly attract a mass of new customers and deliver economies of scale. These economies will support the initial low price and make it difficult for others to follow their lead into the blue ocean because they will be unable to attract sufficient customers to achieve their own economies of scale necessary to match the value innovator's low costs and related low price.

Eventually, however, there is the possibility that imitators will invade the innovator's new market space. For example, while First Direct was the first bank to offer telephone banking, it was not too

long before others moved into their blue ocean. Kim and Mauborgne (2004b) suggest that at this point it would be easy for the pioneer innovator to change their strategy and defend their blue ocean by engaging in red ocean competitive tactics, but they argue that a more promising way forward is for them to continue searching for new and, as yet, unoccupied market spaces. This is what First Direct did. When others began to offer telephone banking, it launched a PC banking service in 1997, followed by text message banking in 1999 and internet banking in 2000. It was also the first UK bank with a Twitter account and it is constantly seeking to develop new products.

CASE STUDY 6.1 Norwich Union Life's transformation of customer service

Norwich Union Life (NUL, now Aviva) began a programme to transform its customer service reputation and success in the life insurance industry in the UK (term life and annuity products). At the time, NUL was consistently ranked as the poorest service provider in the industry by independent brokers. Value innovation, based on blue ocean strategy, was the strategic framework that NUL used to transform customer service.

The programme comprised two key elements:

1. Value innovation methodology used to generate new value propositions for:
 - customer service relating to term assurance and annuities
 - leadership behaviour (senior, middle and frontline). Creating a new value curve for leadership was deemed to be important because leaders had a critical role to play in the transformation of customer service.

The first 16 weeks of the project focused on generating these value propositions.

2. Blue ocean leadership to engage people in the process and drive an extended (two-year) implementation of the strategy to transform customer service. Blue ocean leadership involves focusing on tipping points, the people, acts and activities that exercise a disproportionate influence on performance (Kim and Mauborgne, 2003), and fair process (Kim and Mauborgne, 1997) to create a culture of trust and commitment.

Designing the value proposition for the transformation of customer service

The value proposition design phase for customer service followed a detailed process of gathering market insights, from both customers and non-customers. The key point of difference to traditional market data gathering was the direct involvement of senior executives in the process. This usually meant senior leaders would jump on a train in York and chat to as many people as possible in the two-hour journey to London about their experiences or perceptions of buying life insurance or pension products. This allowed the decision makers to experience first-hand the dreams and frustrations of customers and non-customers and to gather insights into how their experiences could be improved. These insights, presented on the horizontal axis of Figure 6.2, were used to chart the company's existing value curve, and a 'reduce, raise and create' framework was applied to create a new (future) customer service value curve.

The tagline for the new value curve was 'Trust us', and the ambition, embedded in the new value curve, was to help staff:

- communicate with customers in a simple, jargon-free way
- go out of their way to make customers' lives easier
- always take accountability and ownership to resolve customers' problems
- be consistently on the front foot, proactively taking care of customers' needs
- always deliver on promises
- relate to customers in a warm and friendly way.



Getty Images/istockphoto/sturti

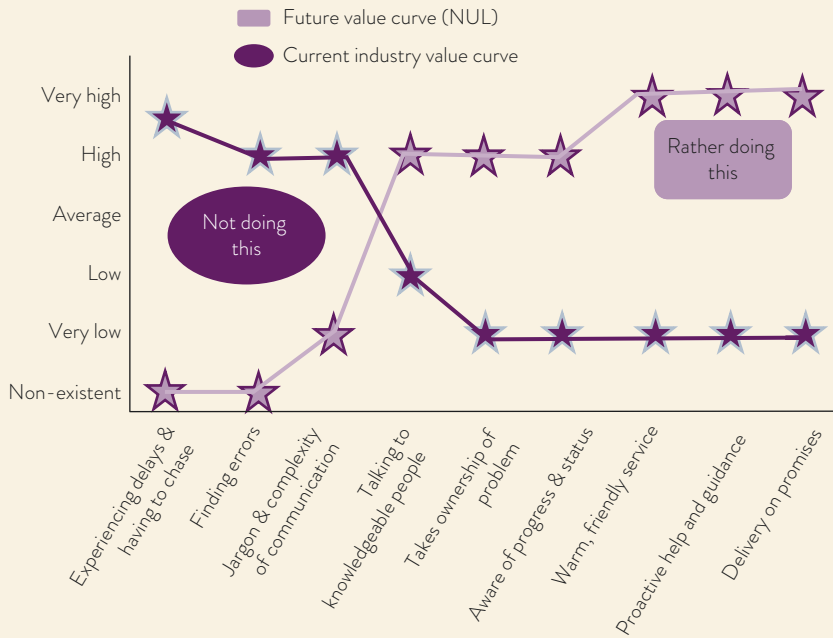


Figure 6.2 The NUL customer service current and future value curves

Designing the value proposition for the transformation of leadership effectiveness

In parallel with customer service insight creation, an internal process was undertaken to develop insight about leadership effectiveness. Information was gathered by a cross-functional project team through a combination of interviews and focus groups. This work was led by line leaders, not HR team members, to allow ‘fresh eyes’ to identify issues and opportunities. The aim was to identify leadership behaviours that would accelerate the transformation of customer service effectiveness, for example by removing barriers to decision making.

The insights from this process are presented on the horizontal axis of Figure 6.3 and were used to chart and evaluate the current senior leadership value curve. The outcome was a commitment to:

- *eliminate*: the fear and blame culture; tolerance of unnecessary meetings, emails and reports; jargon, negative and complex language; doing everything while failing to deliver on priorities; resourcing projects that are going nowhere.
- *reduce*: work with no clear customer or strategic benefit; focus on numbers and processes at the expense of people; distractions that take people’s time away from agreed priorities; volume of data that obscures insights.
- *raise*: asking for and listening to feedback; time spent discussing and understanding the customer; time spent on communicating objectives and explaining decisions; delegation of decisions to the appropriate level.
- *create*: a sense of one company; clear and honest feedback as situations occur; coaching to unlock potential in real time; reward and recognition that truly differentiate between performance levels; time for the team.

This is reflected in the new senior leadership value curve. Both the current and desired value curves are presented in Figure 6.3.

Implementation

Once these new value propositions were approved, an extensive programme of implementation was begun. A team of eight ‘business coaches’ – successful frontline leaders with a high level of energy and desire for improvement – were selected and became the driving force for change over the next 18 months. During this time, they worked with more than 4,000 people to introduce the value propositions, to generate improvement plans for both the work environment and the service provided, and to coach the leaders until the change had taken hold in a sustainable way. A number of interventions were developed during this time, with the following being the most important for success:

1. *Calibration*: the method used to diagnose issues and prepare leadership prior to launch. Typically, team launches would be conducted one site at a time, for example a particular office or floor. Prior to a launch, calibration involved the gathering of quantitative (such as absence and turnover statistics) and qualitative (ethnographic observations) insights about the baseline culture and performance of the site. These insights were used to inform the sequence of implementation and the focus of the senior leader coaching.

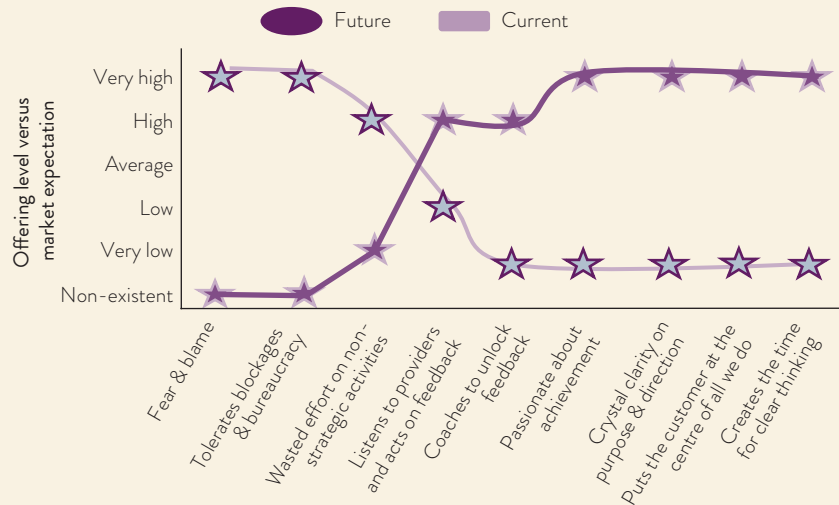


Figure 6.3 Senior leadership value curve

2. *Team launches*: three-hour, high-impact workshops using the eliminate, reduce, raise and create framework to plan a small number of important improvements around morale and service.
3. *Coaching*: regular phone and face-to-face conversations about progress on plan implementation.
4. *Daily huddles*: 10-minute, daily stand-up meetings where the leader spent time engaging and focusing the team on the challenges for the day.
5. *Harvesting*: opportunities for groups to share what they have found to work and to encourage each other to try new things.

The implementation focus was on improving *morale* first, *service* second and *profit* third. NUL found that by operating in this order, the positive will of the workforce was harnessed swiftly and with a profound impact.

Initiatives seen in the early stages of implementation included:

- changes to flexible work practices and dress requirements
- increased use of team graffiti boards/visual performance monitoring
- high frequency of team huddles
- improved cross-teamworking
- more celebration of success.

Within weeks, positive signs of improvement were noted. These included reductions in customer complaint levels by an average of almost 50 per cent and as high as 90 per cent in some teams. Morale increases of 30–50 per cent were common and absence levels declined in contact centre environments. Most satisfyingly, NUL's service performance increased dramatically. At the start of the project, NUL was ranked by independent brokers as the poorest service provider in the industry. After 18 months, NUL's ranking went from last to first.

Reflect on this case study and the content of Chapter 6 and identify the key points that, in your opinion, contributed to the success of this project.

Source: This case study is based on contributions from Richard Fryer.

SUMMARY

All too often managers and aspiring entrepreneurs fail to identify some of the most promising opportunities for developing their business because they focus too much attention on securing competitive advantage. Value innovation, based on blue ocean thinking, offers a practical framework for identifying and capturing new market space and a set of analytical tools that managers and entrepreneurs can use to pursue superior value for customers and lower costs for themselves. The three essential tools are the strategy canvas, value curves and the four actions framework.

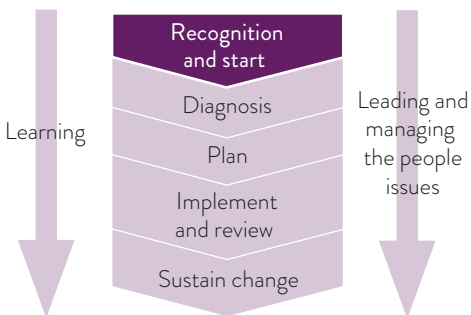


STARTING THE CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize the issues that need to be addressed at the start of the change process.
2. Explain why it is important to translate a need for change into a desire for change.
3. Compare and contrast the deterministic and voluntarist views about the possibility of achieving change.
4. Explain how locus of control and learned helplessness can affect the effort individuals will invest in the pursuit of change.
5. Identify the issues that need to be considered when deciding who will lead the change.
6. Discuss the relative importance of factors that can affect the quality of the relationship between change agents and others.
7. Explain why change agents need to be careful about accepting other people's definitions of what issues need to be addressed.



This chapter considers some of the issues associated with starting the change process. Most important is translating the need for change into a desire for change. Organizational members may be reluctant to pursue change because they lack confidence in their own and others' ability to make a difference. This chapter (and book) adopts a 'voluntarist' perspective and argues that, in most cases, organizational members are not powerless pawns, unable to affect change, but are independent actors able to intervene in ways that can make an important difference. To do this, they need concepts and theories that will help them understand the process of changing and ways of

intervening, but they also need to believe in their own and others' ability to affect outcomes. The final part of this chapter looks at who should lead the change and how they can build effective change relationships.

BELIEFS ABOUT CHANGE AGENCY

Change agency refers to the ability of a manager or other agent of change to affect the way an organization responds to opportunities and threats. One approach to the study of change and change management portrays the manager and other organizational members as pawns affected by change rather than as agents who can initiate and secure change. This approach is referred to by Wilson (1992) as 'determinism'.

The deterministic view

The deterministic view is that the ability of the manager to influence change is limited because the main determining forces lie outside the organization and the realms of strategic choice for managers (see the discussion of predetermined change trajectories in Chapter 1). Wilson (1992) notes that the advocates of this approach view organizations as interdependent elements of a much greater open system and they regard the characteristics of the wider organization–environment linkages as the key determinant of strategic change. For example, no matter how good the CEO of an organization might be, when faced with a dramatic downturn in the trade cycle or unfavourable exchange rates, they may be able to do little to improve the immediate fortunes of their organization. Greenwood and Hinings (1996) echo this view when they discuss how, in some circumstances, an organization's institutional context can limit the possibilities for change, especially when the organization is embedded in a wider system that has tightly coupled relationships.

The voluntarist view

The voluntarist view supports the notion of constructed trajectories discussed in Chapter 1 and rejects the assumption that managers are powerless. Advocates of this perspective argue that managers and other organizational members are the principal decision makers who determine the fate of the organization. The strategic choice framework (Child, 1972, 1997) highlights the ability of managers to exercise choice and provides an example of how the voluntarist approach can work. It challenges the view that there is an ideal type of organization and one best way of managing. It recognizes functional equivalents and the possibility of 'equifinality', whereby organizational outcomes can be achieved in a variety of different ways. One of the key factors that determines the effectiveness of an organization is the quality of the strategic choices made by members of the dominant coalition. This approach emphasizes the role of human agency and asserts that managers can intervene to affect change in ways that will either promote or undermine organizational effectiveness.

Raynor et al. (2009), however, sound a note of caution about seeking insight into how those leading a change should act from 'success studies', because every success cannot be attributed to human agency. Chance factors can also affect outcomes. Raynor et al. demonstrate how easily we can succumb to the temptation to 'explain' seemingly significant outcomes that are entirely random by describing an experiment conducted by one of them at the beginning of her strategic management class. She starts the class by asking all the students in the room to stand up and instructs each of them to toss a coin. If the toss comes up tails, they are to sit down, but if it comes up heads, they are to remain standing:

Since there are around 70 students in the class, after six or seven rounds there is only one student left standing. With the appropriate theatrics, I approach the student and say, 'How did you do that? Seven heads in a row! Can I interview you in Fortune? Is it the T-shirt? Is it the flick of the wrist? Can I write a case study about you?' (Raynor et al., 2009, p. 18)

This example illustrates that chance is a factor that cannot be ignored. Nonetheless, there is still evidence that managers do act in ways that contribute to the success of their organizations. For example, Pettigrew and Whipp (1991) report the outcome of a study of firms in four sectors – automobile manufacture, book publishing, merchant banking and life assurance – and conclude that there are observable differences between the ways that leaders in higher performing firms manage change compared to those in lesser performing firms.

From the perspective of change agency, the deterministic view offers a perspective that is too fatalistic. While, in some situations, there may be external forces that exercise a powerful effect on organizational performance, there will almost always be scope for managers to intervene in ways that will promote the organization's interests. Burnes (2004, p. 198) argues that despite the constraints they face, managers have a far wider scope for shaping decisions than most organization theories

acknowledge. He asserts that ‘the scope for choice and the development of political influence is likely to be more pronounced where change, particularly major change, is on the managerial agenda’.

Problems can arise, however, when managers and others do not believe in their own ability to act as agents of change. As a consequence, they may fail to behave proactively. Their response, and therefore the response of the organization, may be to react passively in response to external forces for change.

VOLUNTARISM AND CHANGE AGENCY

Two assumptions underpinning the approach to managing change adopted in this book are that managers can make a difference and can learn to manage change more effectively. Effective change managers require, and can be helped to acquire:

- confidence in their own ability to make a difference
- the motivation to change
- conceptual models and action tools/interventions
- change management skills.

These factors are now explored in more detail.

Confidence in their own ability to affect outcomes

Some managers may have the conceptual knowledge and required skills to equip them to intervene and make a difference, but they may fail to act because they have insufficient faith in their own ability to affect outcomes. While optimism and overconfidence can be a problem and result in unnecessary risk taking (for example Thaler and Sunstein, 2009, found that 90 per cent of all drivers think they are above average when they are behind the wheel), change managers can often be ineffective because they lack the confidence to act in ways that enable them to exercise the control necessary to achieve desired outcomes. May (1969) argued that in many walks of life, people are hypnotized by their own feelings of powerlessness and use this as an excuse for doing nothing. He describes the central core of modern human neuroses as the undermining of people’s experience of themselves as responsible, and the sapping of their will and ability to make decisions.

This inner feeling of impotence is a critical problem for some managers and can undermine their ability to act as agents of change. There are two explanations for this:

1. *Locus of control*: Rotter (1966) developed the concept of locus of control after observing that some people seemed to attribute outcomes to luck rather than to factors over which they had some control. Locus of control reflects the degree to which people believe that their own behaviour determines what happens to them. Those who attribute outcomes to their own efforts are referred to as ‘internals’ and those who attribute outcomes to external factors, such as luck, fate, other people, the state of the economy or other factors over which they have no control, are referred to as ‘externals’. In the context of change management, those who are overcommitted to a deterministic view of change may be inclined to believe that the locus of control is external to themselves and the organization and may therefore develop the view that there is little they can do to influence events. Those who think this way are less likely to attempt to adopt a proactive approach to the management of change than those who have a more internal view about the locus of control.
2. *Learned helplessness*: Locus of control is related to Seligman’s (1975) theory of learned helplessness, which argues that a person’s expectation about their ability to control outcomes is learned. It suggests that managers may begin to question their ability to manage change if, when confronted with a new problem or opportunity, old and well-tried ways of managing fail

to deliver desired outcomes. Furthermore, if their early attempts to experiment with alternative ways of managing are equally unsuccessful, this questioning of their own ability may develop into an expectation that they are helpless and the associated belief that there is little they can do to secure desired outcomes. Seligman argues that this expectation will produce motivational and cognitive deficits:

- *Motivational deficits* involve a failure to take any voluntary actions designed to control events following a previous experience with uncontrollable events. If managers believe that they cannot exercise any control over outcomes, they will not even be motivated to try.
- *Cognitive deficits* involve a failure to learn that it is possible to control what happens. If managers believe that they cannot affect outcomes in a particular set of changing circumstances, this belief may stop them recognizing opportunities to exercise control, even if there is evidence that their own behaviour has actually had an important impact on outcomes.

The theory of learned helplessness suggests that the incentive for managers and others to initiate activity directed towards managing change will depend on the (learned) expectation that their action can produce some improvement in the problematic situation. If they do not have any confidence in their own ability to manage the change and achieve any improvements, they will not try to exercise influence. Both individuals and organizations can develop the expectation that there is little they can do to secure desirable outcomes when confronted by change. However, individuals and organizations can also learn that they can affect their own destiny, and they can learn how to exercise this influence.

Self-belief is necessary but may not always be sufficient to deliver a desired outcome. Those individuals who decide to create a new enterprise clearly demonstrate a belief in their ability to influence change trajectories, but there are some budding entrepreneurs who commit to creating a new venture but fail to build a viable business. This may be because they misjudged their own capabilities, or it could be because they were overoptimistic and failed to take account of all the problems they could encounter on the way. This issue is addressed in Chapter 12 when the need to rethink positive thinking is discussed.

The motivation to change

Pugh (1993) argues that those who are most likely to want to change are those who are basically successful but are experiencing tension or failure in some particular part of their work. This group will have the confidence and the motivation to change. The next most likely to change are the successful because they will have the required confidence, but because of their success, they may be satisfied with the status quo and lack the motivation to change. Individuals, like organizations, can fall into the trap of success (see Chapter 5). The least likely to understand and accept the need for change are the unsuccessful. While they may be the ones who need to change most, they are also the ones who are likely to lack confidence in their own ability to improve their predicament. Consequently, they may prefer the status quo (the devil they know) to the possible outcome of a failed effort to change (the devil they don't).

Change readiness is important. Jones et al. (2005) define readiness as the extent to which employees hold positive views about the need for change and believe that the change will yield positive outcomes for themselves and the wider organization. By (2007) studied the management of change in the UK tourism industry and found support for Armenakis et al.'s (1993) proposition that successful implementation is positively correlated with the level of change readiness.

Case Study 7.1 illustrates that it can be difficult to translate a need for change into a desire for change, especially when a company has enjoyed a sustained period of success.

CASE STUDY 7.1 Failure to convince others of the need for change at AT&T

There are many instances where those who recognize the need for change want to embrace it but cannot because they are unable to convince others that the change is necessary. Werther (2003) illustrates this with the example of AT&T's telephone manufacturing division (Western Electric) following deregulation of the telecoms sector in the USA. Prior to deregulation, consumers had no choice other than to lease their telephones from one of the Bell operating companies (another part of AT&T). These local operating companies were regulated monopolies, allowed to earn up to a set maximum return on their assets. This regulated monopoly situation encouraged AT&T to pursue a high reliability, high-cost strategy for the manufacture of its telephone instruments. This strategy was attractive for a number of reasons:

1. The cost of the phones was included as part of the asset base on which the local operating company's returns were calculated. This offered no incentive for them to persuade Western Electric to reduce its manufacturing costs.
2. Western Electric's market was protected from the threat of low-cost phones produced elsewhere because customers had to lease their phones from the local Bell company.
3. High-quality, high-cost phones were more reliable. This reduced the cost of repairs and service for the operating company and also reduced the number of complaints to the regulator about the quality of service.

All this changed after deregulation. Customers were allowed to purchase and install their own phones and were attracted to the many low-cost instruments that began to flood the market. This had a dramatic effect on Western Electric's share of the market and convinced senior management of the need to switch from a high reliability, high-cost manufacturing strategy to one that focused on producing low-cost phones. Werther (2003) reports that this proposed switch was fiercely resisted by engineers, managers and assemblers across the company because they believed that the company should remain committed to its traditional policy of producing high-quality if expensive phones. Their resistance was so strong that the company was forced to outsource the production of low-cost phones overseas.

What could senior managers have done to persuade engineers, managers and assemblers to support the required change?

This case study illustrates the importance of translating the need for change into a desire for change on the part of all those who can affect the success of the change project. Stephen Elop, when he was the new CEO at Nokia, attempted to do this with his 'burning platform' message, when he broadcast the fact that fierce competition from Apple and Google had inflicted serious damage on Nokia's market share and revenue streams (Constantinescu, 2011; see Example 16.5). His aim was to disconfirm the widely held view among employees that Nokia was a secure and prosperous company, and his use of a burning platform analogy was intended to create sufficient anxiety to motivate staff to accept that the only way forward was to embrace radical change. He followed this up by announcing a new strategy that would involve working with Microsoft to build a new mobile ecosystem.

Pitt et al. (2002) refer to how senior managers can adopt a downward-facing evangelist playmaker role to win subordinates' attention and commitment. In their study, they found evidence to suggest that spreading a message via potent, emotive symbols can be more effective than rational appeals. Pitt et al. (2002, p. 163) cite the case of a technical director who needed to win support for a proposed change to improve hygiene standards. His message was that the company was in a high-risk business (producing ingredients for the processed food industry) and that 'the bottom line is life and death – if you get it wrong you are going to kill people'. There are, however, circumstances where alternative ways of winning support might be more effective, such as involving change recipients at an early stage in the process, providing emotional support and rewarding behaviours that facilitate the change. These are considered in more detail in Chapter 22.

It is not unusual to discover that some people have a greater readiness for change than others. This has implications for deciding where to initiate the change effort. When faced with the possibility of alternative starting points, the change agent might decide to start working with those who appear to be the most receptive to change and have the confidence and motivation to engage in the change process. Early successes in some parts of the organization can inspire others to get involved.

Conceptual models

Change managers can acquire a range of concepts and theories they can use to help them:

- identify the kind of change that confronts them
- understand the process of changing
- identify what needs to be attended to if they are to achieve desired outcomes.

Process models have been considered in Chapters 1 and 2 and types of change in Chapter 3. Diagnosis involves the application of the many theories that exist about the behaviour of individuals and groups in organizations, about organizational processes such as power and influence, leadership, communication, decision making and conflict, and the structure and culture of organizations. These individual, group and organizational performance models can be used to help managers to identify what needs to be changed in order to protect or improve organizational effectiveness. Organization-level diagnostic models are considered in Chapter 8.

In addition to the conceptual models that can help change managers to understand the change process and diagnose what needs to be changed, they also need to be familiar with a range of different types of intervention they can use to secure a desired outcome. These are considered in Chapters 12 and 13.

Change managers also need to have some basis for deciding which interventions to use in specific circumstances, taking account of contingencies such as the pace of change, the power of stakeholders to resist and so on. Models that can be used for this purpose are considered in Chapter 14.

Change management skills

While conceptual understanding is necessary, it is not sufficient to guarantee that change agents will be able to secure the desired changes. When managers are acting as change agents, they need to be able to communicate, offer leadership, work with teams, confront, negotiate, motivate, and manage relationships with others. Change agency requires these and many other skills that managers use in everyday life. Sometimes, change agents are less effective than they might be because they fail to recognize the importance of some of these skills or they fail to apply them when required.

STARTING THE CHANGE PROCESS

After persuading others of the need for change, it is necessary to decide who will, at least in the first instance, facilitate the change. The change agent could be an insider – a member of the system or subsystem that is the target for change – or an outsider (Table 7.1).

Table 7.1 *Choice of change agent*

An insider might be chosen where:	An outsider might be chosen where:
The person responsible for managing the unit or subsystem that is to be the (initial) target for change is committed to acting as change agent	There is nobody on the inside who has the time or competence to act as facilitator/change agent
It is agreed that a particular insider has the time, knowledge and commitment to manage the change more effectively than an outsider	It is felt that all the competent insiders have a vested interest in the outcome and therefore might be less acceptable to other parties than a neutral outsider
The system does not have the resources to employ an outsider	
Issues of confidentiality and trust prohibit the use of an outsider	
It proved impossible to identify a suitable outside consultant	

Deciding who will manage the change can have an important impact on the outcome of the change process. Often, it is automatically assumed that the lead will be a technical expert rather than the manager (user) who will be responsible for making the change work post-implementation. Clegg (2000) challenges this assumption and advocates that users should play a more central role. In Chapter 2, reference is made to the fragmented nature of many change projects. This can result in the separation of diagnosis, planning and implementation from use and maintenance. This separation can allow technical experts leading the change to focus too much attention on technical issues, such as designing a technically superior system, rather than on the needs of users. Clegg and Walsh (2004) cite the example of the way a successful change project was led by a senior user at Lyons Confectionery to support the case that users need to be more centrally involved (Example 7.1).

EXAMPLE 7.1 Leading change at Lyons Confectionery

Lyons Confectionery makes confectionery products for sale through retail outlets across the UK. Products are distributed using a fleet of several hundred delivery vans. The sales director (who was the lead user responsible for this function) was keen to improve various aspects of the performance of the van sales and delivery operation. He identified inaccuracies and delays in the feedback of information from shops as an important source of inefficiencies. This information was provided by the drivers and was an essential input for deciding manufacturing plans, inventory levels and delivery schedules.

The sales director thought that it would be possible to improve the quality and speed of information flow, but rather than starting by bringing in an information technologist to develop a new IT system, he decided to spend time with his team working out how they wanted the new way of working to operate. Their starting point was to think about how the whole van sales and delivery operation could be changed for the better before thinking about how this could be supported by new IT. They undertook a total rethink of the drivers' role. Should they, for example, continue working in their existing delivery role or could their role be expanded to include sales? They even thought about making the drivers into franchise holders, running their own businesses at the interface between the bakery and the retail outlets.

The project team included the regional sales managers, some delivery drivers and depot workers, and people from sales administration, customer services and manufacturing (all the groups linked in the process), and they were advised by the company's IT specialist (along with other experts from departments such as accounts). In other words, it was the prospective users of the new system who pulled through the new working arrangements (and technology) that they needed to meet their operational needs. The team, taking advice from the IT specialist, decided that hand-held computers could deliver the required improvements, and it was the team of prospective users who organized the trials of the various hand-held computers available on the market.

Clegg (2000) reports that this proved to be one of the most successful change projects he ever witnessed.



Photo by Markus Winkler on Unsplash

Establishing a change relationship

Where the change agent is a member of the target system, entering the change relationship may not be too difficult as long as everybody can agree that there is:

- a problem or opportunity that requires attention
- a need to engage in some form of preliminary data gathering in order to determine what further action is required.

A brand manager who is unhappy with the time it takes to introduce a change in the way a product is packaged may enlist the support of others to benchmark their performance against that of leading competitors. Similarly, a manager of a sports centre might set up a meeting with staff to consider possible reasons why an increasing proportion of existing members are failing to renew their membership.

Because the change agent is an 'insider' and known to others, many of the issues that could be problematical and require careful attention when introducing an external consultant/change agent (such as building trust and confidence) can often be managed informally and without too much difficulty.

Where the change agent is an 'outsider' – a senior manager, somebody from another part of the organisation or an external consultant – the establishment of a change relationship can be a more complex process due to some of the reasons outlined below.

Issues that can affect the quality of the relationship

There are several issues that can affect the quality of the relationship:

1. *Ability to build trust and confidence:* One of the key issues is the ability to build trust and confidence. Some individuals and groups are less comfortable than others when it comes to being open and discussing their affairs with outsiders. This might be because they fear that it could be difficult to communicate the nature of their problem or opportunity to others and that others may view them as incompetent or foolish. Alternatively, it may be because they fear that seeking help will threaten their autonomy and make them too dependent on others. The early stages of the relationship-building process can be critical because clients quickly form impressions about the change agent's competence, ability to help, friendliness and inferred motives. Margerison (2000) likens the change agent's early encounters with the client to 'knocking at doors which are half open and seeing them either close in your face, or open fully'. Lines et al. (2005) argue that trust and trustworthiness have a direct bearing on the change agent's access to knowledge and cooperation. When clients feel that they can trust the change agent, they are more likely to be open, share information and avoid defensive behaviours. Normally, this takes time, particularly if the change agent is completely new to the situation, as building trust is an incremental process.
2. *Ability to provide the services valued by the client:* In terms of competence and ability, some clients want a change agent who has sufficient expertise to be able to 'see a way through' and tell them what to do. They might expect the change agent to undertake a diagnostic study and prepare a written report. In these circumstances, the competence they are seeking from the change agent is related to the 'content' of the problem or opportunity. Others might want a more collaborative relationship and expect the change agent to work with them to help them learn how to solve their own problems. The competence that is valued in this type of relationship is related more to the *process* of problem solving and managing change rather than the content of a problem. The important point to make at this stage is that both parties need to reach some agreement about the role of the external consultant/change agent.
3. *Friendliness and approachability:* In terms of friendliness and approachability, what many clients want is a helper who, on the one hand, is sympathetic to their needs and values but, on the other hand, is sufficiently neutral to offer objective comment, feedback and other assistance.
4. *Inferred motives:* It is important that clients believe that the change agent is 'on their side' and is 'working for them'. When this is the case, they will be more likely to share sensitive information and be receptive to feedback or suggestions about helpful processes and so on. However, where

the change agent is seen as untrustworthy, incompetent or 'not for them', the clients will be much more likely to react defensively and resist any attempt to influence their thinking. Van Buren and Safferstone (2009) observe that many newly appointed change managers feel under pressure to secure quick wins and this often comes across as a drive to secure an individual (personal) quick win. They argue that to be successful, leaders need to work with others to achieve 'collective' quick wins.

MANAGING CHANGE IN PRACTICE 7.1 Colin Ions: The role of HR in acquisitions and mergers

Colin Ions set up the consulting arm of DLA Piper, one of the world's largest law firms.

In his video on the role of HR in mergers and acquisitions, Colin argues that HR managers can make a strong contribution to change so long as they are on the right agenda and 'get into the mind of the CEO'. People in the business must have confidence that the HR function understands what the CEO and the top team are trying to do with the enterprise and that they have a strong business focus. He goes on to discuss four factors that can affect the value of the HR contribution.

Before watching his video on the book's companion website at bloomsbury.pub/hayes-change-management-6e, think about the following question: What do you think are the main factors that can affect the value of HR's contribution to the management of change in organizations?

Building effective change relationships is considered in more depth in Chapter 15. We will see that this can take time and sometimes clients test the helper's competence, attitudes, perceived role and trustworthiness by presenting them with what they regard as a safe or peripheral problem. If they are satisfied with the change agent's performance, the client may move on to present what they believe to be the real problem.

External change agents need to pay careful attention to two additional issues: identifying the client and clarifying the issues to be addressed.

Identifying the client

From the perspective of the external change agent, an issue that must be managed carefully is the identification of the client. The person who invites an outsider into a situation may not be the person or group that becomes the focal client. The change agent needs to be ready to amend the definition of the client if a preliminary diagnosis suggests that the problem is not confined to one group or unit, but involves multiple units, several levels of the hierarchy, or people outside the organization such as customers, suppliers, trade associations or unions. Problems can arise when external change agents define the client as the person/group who invited them into the situation. If they are blind to the need to redefine who the client is, they may inadvertently end up working to promote or protect a sectional interest rather than the effectiveness of the organization.

One way of defining the client is in terms of the person or persons who 'own' the problem and are responsible for doing something about it, for example the sales director in the Lyons Confectionery case discussed earlier. Cummings and Worley (2001) define the client as those organizational members who can directly impact the change issue, whether it is solving a particular problem or improving an already successful situation. This definition is more likely to identify the client as a group or the members of a subsystem rather than as an individual. Cummings and Worley favour this definition because if key members of the client group are excluded from the entering and contracting process, they may be reluctant to work with the change agent.

The author learned about this from direct experience. He was invited by the personnel director of an international oil company to help with a problem in a distant oil refinery. He was flown to the

nearest major airport, put up in a hotel and, next morning, flown by a small plane to the refinery's own airstrip. Eventually, he found himself in a meeting room in the refinery with all the senior managers. After some brief introductions, the refinery manager started the meeting by asking the consultant why he was there. It was clear that the personnel director had not involved the refinery manager in the decision to engage an external consultant. This was strongly resented and by the time the consultant had arrived at the refinery, there was little he could do to build an effective working relationship with the management team. However, some months later, the same refinery manager approached the consultant and invited him back to the refinery to work on a different problem. On this occasion, it was his problem and his decision to involve an outsider. The rejection first time round had nothing to do with the consultant's competence. The refinery manager had been unhappy that somebody else had decided he had a problem and, without any consultation, had decided he needed external help to resolve it.

Clarifying the issue

The symptoms or problem presented to an external change agent may not be the real issue that needs to be addressed. Those who seek help from consultants often present the difficulty as somebody else's problem. The head of HR of a manufacturing company invited a consultant to meet the finance director over lunch. The problem that the finance director, who was also the deputy chairman of the board, wanted to talk about was to do with the poor state of communication between the board and senior management. He defined the problem in terms of the quality of the senior managers. Eventually, after the consultant had met the board, they redefined the problem as stemming from within the board itself, where there were conflicting views regarding the role of the board and political issues affecting how it functioned.

Another issue is that problems are often presented in terms of their implied solutions, such as: 'We need help to

- improve the appraisal system
- build a more cohesive team
- improve communications.'

The communications problem, for example, might be further defined as a need to improve the communication skills of certain individuals. However, a preliminary investigation conducted by a change agent may suggest that while communications could be improved, an important factor contributing to the problem is the structure of the organization and the effect this has on communication networks. In such a situation, improving the communication skills of selected individuals or replacing existing members with others might do little to resolve the underlying structural problem.

Change agents need to keep an open mind about the nature of the problem until there has been some kind of preliminary investigation. However, it is important that the change agent also pays careful attention to the felt needs of the client and what they believe the problem to be.

✓ EXERCISE 7.1 Starting the change process

Think of an occasion when you acted as a change agent. It might have been at work or elsewhere; for example, if you live in a flat with other students, it might have involved persuading others to keep the flat clean, share the cooking, or regulate spontaneous parties and overnight guests. Did the change go smoothly from the start or did you hit problems initiating the change process? If you did hit problems, did they relate to any of the issues considered in this chapter?

Reflect on this experience and make a note of any learning points that might help you to avoid similar problems in the future.

SUMMARY

Three of the main issues associated with starting the change process have been considered: translating the need for change into a willingness to pursue change; leading the change process; and establishing an effective change relationship.

This chapter adopts a 'voluntarist' perspective and argues that organizational members are not powerless pawns, unable to affect change, but are independent actors able to intervene in ways that can make an important difference. To do this, they need: confidence in their own ability to affect outcomes; the motivation to pursue change; concepts and theories that will help them understand and manage the change process; and change management skills.

After persuading others of the need for change, it is necessary to decide who will, at least in the first instance, facilitate the process. The change agent could be an insider – a member of the system or subsystem that is the target for change – or an outsider. There is some evidence suggesting that change efforts are most successful when led (pulled) by users rather than (pushed) by technical experts.

The quality of the relationship between the change agent and others is highly dependent on factors such as confidence and trust. Associated issues for the change agent include being clear about who the client is, and keeping an open mind about the precise nature of the problem, while seeking to clarify the issues of concern to the client.

✓ EXERCISE 7.2 Questions to be addressed when starting the change process

Reflect on what you have learned from working on the five chapters in Part II. Based on what you have read and learned from the various exercises in Part II, identify a short list of questions that could help you and others to assess how well the issues that need to be managed when 'recognizing the need for change and starting the change process' are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part II in the Introduction to Part II. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

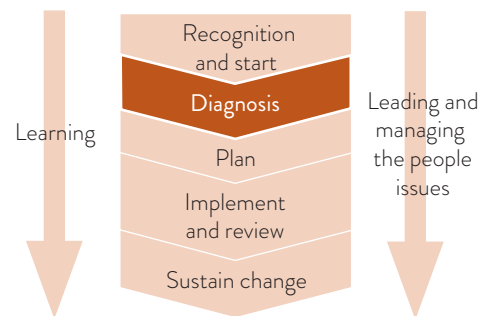
Visit bloomsbury.pub/hayes-change-management-6e for further learning resources.

DIAGNOSING WHAT NEEDS TO BE CHANGED



INTRODUCTION TO PART III

Part III takes a closer look at diagnosing the need for change. While it might seem obvious that diagnosis is an essential step in the change management process, in reality it is a task that is often done badly or not done at all. When managers feel under pressure to solve problems quickly, they may be tempted to go straight from identifying the problem or opportunity to implementing a solution, without pausing to explore the situation and identify the cause-and-effect relationships that need to be managed. The Accord case study illustrates this point and asks you to consider whether you have ever observed leaders paying insufficient attention to diagnosis.



CASE STUDY III Accord: jumping to conclusions before diagnosing the problem

Accord, as it will be referred to here, is a commodities broker located in Singapore. For many years it had been a profitable and expanding business, but a year ago growth began to slow. When the situation failed to recover, the board persuaded the CEO, who had been in post for ten years, to retire, and tasked his replacement to improve performance.

Six weeks after her appointment, the new CEO informed senior colleagues that she felt staff were too set in their ways. She was particularly concerned about the behaviour of brokers. She felt that they needed to be shaken out of their comfort zone and the way to do this was to transform the way they were remunerated.

She was so certain this was the root cause that she wasted no time in implementing her solution. Until then, brokers had been paid a basic salary plus a share of a team bonus. The new CEO felt that this constrained individual effort and failed to provide the incentive necessary to motivate individual brokers to seek out more profitable opportunities. She replaced this model with a remuneration system that offered each broker the possibility of earning considerably more than they could under the existing arrangement. Team targets were scrapped and replaced by individual targets. Each broker was required to earn sufficient, after costs, to cover three times their base salary, and those who achieved this level received 30 per cent of everything they earned above this threshold.

This was the carrot, but the new CEO also believed that there needed to be a stick if poor performance was to be eliminated. In this case, the stick was the possibility of redundancy. Brokers who failed to achieve their threshold were given the opportunity to improve. However, if, after 12 weeks, they were still underperforming, their contracts were terminated.

The effect on broker performance was not what the new CEO had anticipated. Before the change, brokers worked in teams, sharing information and helping each other when, for example, a member had to research an unfamiliar situation. They enjoyed working in teams and had a strong sense of group identity. The new reward system changed all this. While the new CEO, based on her previous experience, was confident that the brokers would be motivated by the opportunity to increase their earnings, the reality was that they became more concerned about losing their jobs. Self-preservation emerged as the main motivator. This destroyed the collaborative team culture, which many in the company felt had contributed to Accord retaining clients in the face of mounting competition, and led to an upsurge in conflicts and rivalries. Rather than

sharing information and helping colleagues, individuals began to focus all their attention on doing what they needed to do to protect their own jobs. Job satisfaction and organizational commitment plummeted, and earnings, for both individual brokers and the company, slumped. Some of the most successful brokers resigned.

Reflect on your own experience. Have you ever observed a leader rush to implement a solution before taking time to:

- 1. Identify and evaluate possible causes of the problem?**
- 2. Decide which probable 'cause' to address first?**
- 3. Consider what kind of action to take in order to address the cause and improve the situation?**

Ranjay Gulati (2013) provides another example. He draws on his personal experience to illustrate what can happen when people pay insufficient attention to diagnosing the situation (<http://hbr.org/video/2226699673001/diagnostic-thinking>).

Chapter 8 Diagnosis

Chapter 8 outlines the key steps in the diagnostic process and explains how each one contributes to the identification of possibilities for improvement. Attention is then given to how conceptual models can aid diagnosis. This topic is addressed before data collection because the models we use affect what we pay attention to (and collect information about) and how we interpret the information we collect.

Chapter 9 Gathering and interpreting information

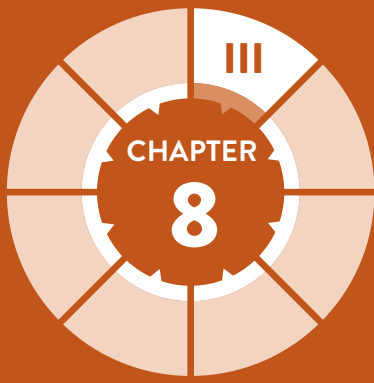
Chapter 9 examines the process of gathering and interpreting information for the purpose of diagnosis. Attention is focused on five main steps: selection of an appropriate conceptual model for diagnosis; clarification of information requirements; information gathering; analysis; and interpretation.

✓ EXERCISE PART III Useful questions for reviewing your approach to diagnosing what needs to be changed

In Chapter 2, after discussing each stage in the process model of change management, your attention was drawn to a number of questions that might help you assess how well a change is being (or was) managed. All these questions are summarized in [Figure 2.3](#) and the questions relating to diagnosing the need for change are listed below:

- Who does the diagnosing: senior managers, consultants or those who will be responsible for making the change work?
- Are leaders willing to accept new data or do they only attend to data that defend the status quo or support their preconceived view?
- Does the diagnosis create a realistic and inspiring vision that will motivate others and help direct the change effort?

Reflect on and review these questions and, after reading Chapters 8 and 9, revise this list and generate your own set of useful questions that you might find it helpful to refer to when you are leading a change.



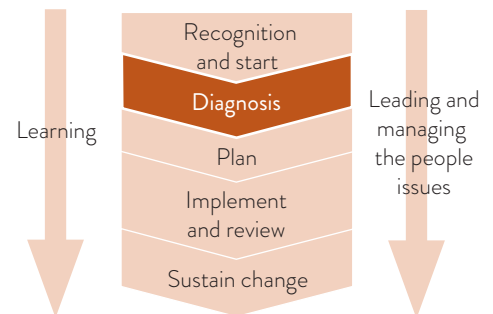
DIAGNOSIS

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Critically assess the importance of diagnosis.
2. Explain why organizational diagnosis is often a multistage iterative process.
3. Describe the steps in the diagnostic process and explain how each one contributes to the identification of possibilities for improvement.
4. Explain the relative merits of holistic and component models of organizational functioning and how they can facilitate diagnosis.
5. Compare and contrast the utility of five holistic models of organizational functioning.
6. Articulate, review and revise your own subjective model of how organizations function.

Organizational diagnosis is a process of research into the functioning of an organization that leads to recommendations for improvement (Postma and Kok, 1999). It is rarely a one-off activity. Case Study 8.1, Site Security and Secure Escorts, illustrates how diagnosis is often a multistage iterative process that begins with the initial recognition of problems or opportunities but does not stop there. As you read the case, note how the diagnosis evolved over time. You might find it interesting to pay attention not only to the different phases in the diagnosis but also to who was involved, what they paid attention to and how they collected data.



CASE STUDY 8.1 Site Security and Secure Escorts

Site Security and Secure Escorts (SSSE) is a company wholly owned by what will be referred to here as CP Security Services. The parent company is registered in the UK but provides a wide range of security services across Europe, including risk assessment and management, site security and secure escort services, cash transit (armoured vehicles) and high-value courier services, detention centres and prison escorts, and technical security systems. SSSE is based in the Netherlands and provides manned guard and secure escort services across a range of sectors, including pharmaceuticals, financial services, telecommunications, defence and utilities, to provide protection from theft, vandalism, industrial espionage, terrorism and attacks from radical activists motivated by issues such as animal rights.

A new CEO was appointed to SSSE and tasked to grow the business and improve profitability. His first task was to familiarize himself with the current state of affairs and identify what could be done to improve the situation. He had almost daily conversations with most managers at head office and, with his director of operations, visited clients and met SSSE staff

working on clients' premises. His aim, using conversations, observations and management reports, was to identify key issues and begin to formulate an agenda for change. When he joined SSSE, he brought with him, based on his previous experience of managing similar businesses, his own subjective model of how organizations work and the key cause-and-effect relationships that determine effectiveness, and he used this to direct his attention and interpret what he saw, heard and read about the organization.

He quickly realized that a number of clients were unhappy with the quality of service provided by SSSE. This not only threatened to undermine his plan to grow the business and increase margins but also raised the possibility that SSSE would lose existing business as and when contracts came up for renewal. His initial diagnosis pointed to several factors that appeared to be contributing to this state of affairs:

- *Staff shortages:* Following 9/11, persistent terrorist threats (including five plots foiled in the Netherlands in 2018 alone) and the aggressive tactics employed by some animal rights activists, there had been a sharp increase in the demand for site security. This was accompanied by a related demand for new recruits to be more thoroughly vetted, a time-consuming process that reduced supply just when the demand for new staff was growing.
- *Management style:* The company's management style was top-down command and control. While this had been effective in the past when management could easily impose sanctions for poor performance, it was proving less effective in the tight labour market. There was evidence that it was having a negative impact on motivation, and some employees were paying less attention to performance standards and were ignoring operating procedures because they were confident, given the rising demand for staff, they would not be dismissed.
- *Management structure:* The number of supervisors had not increased in line with the number of new contracts, and so supervisors were overstretched. This was exacerbated by the fact that, in order to fulfil immediate contractual requirements for guards and escorts, supervisors had to stand in and personally cover for staff shortages.
- *Ineffective management information systems:* Decision making was highly centralized but inadequately supported by the quality of available management information. For example, managers located at HQ did not have access to up-to-date information on operations, making it difficult for them to schedule work effectively.

The CEO shared and debated this assessment with senior colleagues. This debate produced some additional data and one minor reinterpretation and provided the basis for a searching discussion of what could be done to improve the situation. One suggestion was to explore ways of improving the performance of existing staff, but it was recognized that before this possibility could be pursued, there was a need for more information. The operations director agreed to co-opt a site supervisor and conduct two focus groups with guards and escorts drawn from several sites. Their report indicated that while the guards and escorts raised different points specific to their roles, a number of common themes emerged. For example, both groups indicated that they often felt bored on the job, which lacked any meaningful challenge, and some remarks hinted that when not directly supervised, they read newspapers or did puzzles rather than give their full attention to their duties. They also felt undervalued. They realized that there was a growing demand for personnel who had the level of security clearance required by SSSE's clients, but they felt that this 'scarcity factor' was not reflected in their rates of pay.

These findings prompted the management team to initiate a more detailed diagnosis of the roles people were required to perform, with a view to redesigning their jobs in ways that would improve their motivation and the quality of their work. A consultant was employed to facilitate this step in the process. He introduced managers to Hackman and Oldham's (1980) job characteristics theory and helped them to use the job diagnostic survey to gather more information (see the theorizing mode of intervening discussed in Chapter 15).

Another suggestion for improvement was to take a detailed look at the way the organization was structured and the prevailing management style, and to consider alternatives that might address some of the issues uncovered by the initial diagnosis. The consultant who had been brought in to help with the redesign of the jobs performed by guards and escorts



Photo by Arno Senoner on Unsplash

was asked to facilitate a workshop on organization design. This led to the senior management team exploring the possible benefit of introducing teamwork on client sites, with self-managed teams being delegated responsibility for monitoring their own performance as well as executing the task. Hackman's book *Leading Teams* (2002) guided much of this work.

You might find it useful to think about the following questions before moving on:

- 1. What were the main steps in the diagnosis and who was involved at each stage?**
- 2. Was there anything that influenced what the CEO paid attention to?**
- 3. What were the main sources of information that informed the diagnosis?**
- 4. How was information obtained?**

Ideas relating to the last two questions will be discussed in Chapter 9 but what follows in this chapter will address issues relating to the first two questions. In the SSSE case, the new CEO paid a lot of attention to diagnosing the situation. The diagnostic process evolved through several stages and gradually involved more people. It began with a wide-ranging review by the new CEO, which he then shared with his top team. They elaborated on his initial diagnosis and went on to identify issues that required more detailed investigation. One of these was investigated by the operations director and a site supervisor. They identified two more specific issues that seemed to be important. The top team reviewed their findings, decided which issue to pursue first and engaged an external consultant to work with a team of managers to redesign some jobs. The diagnosis did not stop there. When it came to implementing the redesigned jobs, some of the proposed changes were rejected by the guards and this triggered another phase of diagnosis.

THE DIAGNOSTIC PROCESS

The process of organizational diagnosis is, in many respects, similar to the diagnostic processes used in medicine and engineering. McFillen et al. (2013, p. 226) observe that both are built upon 'the basic components of data collection, hypothesis formation and hypothesis testing. Symptoms are observed, interpretations are formed, hypotheses are proposed, tests of hypotheses are conducted and final diagnoses are made.'

Organizational diagnosis involves six steps, presented in [Figure 8.1](#).

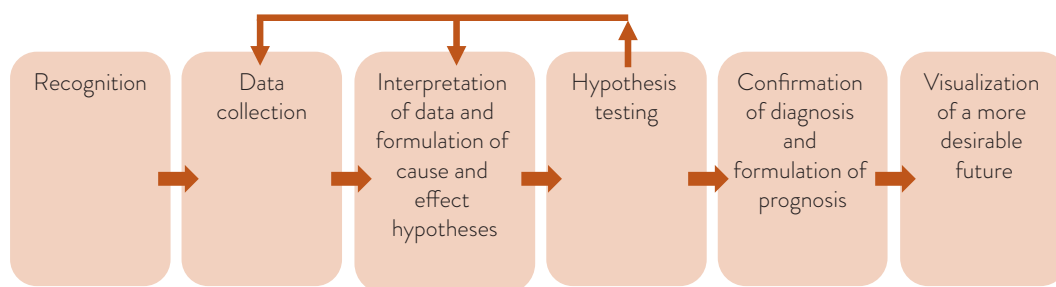


Figure 8.1 *The diagnostic process*

The six steps of the diagnostic process are as follows:

- 1. Recognition:** Diagnosis begins when somebody recognizes symptoms of possible problems or signs of potential opportunities. This recognition can trigger a more systematic investigation of the situation, but this is not inevitable. Just as some individuals fail to recognize or ignore

symptoms of ill health and fail to present themselves to a doctor, so members of some organizations fail to recognize or are slow to respond to indications of the need for change. Recognition is discussed in Chapter 5.

2. *Data collection:* This involves collecting data to explore and clarify the signs and symptoms that have been recognized and to search for other aspects of the situation which may be relevant. Data collection receives detailed consideration in Chapter 9.
3. *Interpretation:* This involves analysing and making sense of these data. Some may interpret the information they have collected by relating it to their own experience, whereas others may draw on conceptual models of how organizations function to better understand the situation. It is this understanding that leads to the formulation of cause-and-effect hypotheses – assumptions about what it is that is causing the observed effects.
4. *Hypotheses testing:* This involves testing these cause-and-effect hypotheses. Sometimes, it might be possible to construct a timeline of events that reveals whether assumed causes occurred before or after specified effects. If the information required to do this is not available, an alternative might be to consult others to explore their subjective assessments of the plausibility of the proposed cause-and-effect hypothesis. In some circumstances, it might be possible to arrange a small-scale, time-limited project to examine the consequence of changing whatever it is that has been identified as the cause of an undesired outcome. If, at this stage, the evidence fails to support the hypothesis, it will be necessary to collect additional data or reinterpret existing data (see feedback loops in [Figure 8.1](#)) in order to formulate alternative hypotheses.
5. *Diagnosis and prognosis:* When the relationships between the cause-and-effect factors that are affecting the current situation have been identified and understood, it opens the possibility of moving on from diagnosis to prognosis – predicting how the situation will develop if no action is taken and how it could evolve if some actions were taken to shape the future.
6. *Visioning:* This involves developing a picture of a more desirable future state that is sufficiently detailed to describe what the target system (department or organization) will look like after the change. This detail will help those involved assess the benefits that the proposed change will deliver and enable them to decide whether these benefits will justify the costs involved. If those leading the change decide to proceed, they will need to pay attention to how they will communicate this vision. It needs to be sufficiently compelling to win the support of stakeholders. Shaping and communicating a compelling vision is considered in Chapter 16.

The effect of big-bang disruptions

In normal times, the focus of diagnosis is usually mid- to long-term improvement, but when faced with pervasive big-bang disruptions, such as the 2008–9 credit crunch and related financial crisis or the COVID-19 pandemic that began in 2020, the initial focus might need to be short-term survival. Just as medics attending seriously injured soldiers on a battlefield may have to restrict their attention to identifying what they can do to keep their patients alive (by, for example, stopping excessive bleeding or pumping in more fluid to replace unpreventable losses), so those leading organizations faced with big-bang disruptions may need to focus on identifying the most pressing threats to the organization's survival. These might include disruptions to just-in-time supply chains, emergency regulations that prohibit or distort normal business practices, cash flow problems, or a sudden drop in demand. Addressing these immediate problems first may be the only way of securing the organization's survival.

MENTAL MAPS

The focus of this chapter is the models we use when thinking about how organizations function. This topic is addressed before data collection because the models we use affect what we pay attention to (and collect information about) and how we interpret the information we collect.

The CEO in the SSSE case study did not start his diagnosis with a ‘clean sheet’. He brought with him his own mental map, an implicit model of how organizations like SSSE work and this affected what he paid attention to and how he interpreted what he discovered.

Organizational behaviour, at all its different levels, is a complex phenomenon. It is impossible for anyone to pay attention to, or understand the interactions between, the many elements or variables that can have an effect on how an organization functions. Consequently, we tend to simplify the real world by developing models that focus attention on:

- a limited number of *key elements* that we feel offer a good representation of the real world
- the ways these elements interact with each other, sometimes referred to as *causal relationships* or laws of effect
- the *outputs* produced by these interactions, which provide the basis for evaluating performance and assessing effectiveness.

We all develop our own mental maps or conceptual models about how organizations function, which we use to: guide the kind of information we attend to; interpret what we see; and decide how to act. Like the CEO in the SSSE case, we develop these models on the basis of our personal experience, either as members of an organization or external observers of organizational behaviour. Sometimes, these models provide a good basis for understanding what is going on and predicting what kinds of actions or interventions would produce the desired change. Often, however, they are highly subjective and biased; they overemphasize some aspects of organizational functioning and completely neglect others. Consequently, they do not always provide a useful guide for the management of change. But, as Martin (2020) argues, this does not mean that we should stop using models: ‘Whether we realize it or not – and often we don’t – we always have a model. In fact, we can’t not have a model.’

The aim of this part of the chapter is to help you develop a greater level of awareness of your own model of organizational functioning. This will help you assess whether the model you use is consistent with or relevant to the problems or opportunities you need to address. It will also help you compare your implicit model/subjective mental map with alternatives and point to ways of modifying it to improve its utility. Making your implicit models more explicit can be of benefit to all the people involved in managing a change. It can provide an opportunity for them to share their models, debate their relative merits, and move towards the development of a shared model that can be used to provide a basis for joint diagnosis and concerted action.

Exercise 8.1 is designed to help you become more aware of your implicit model of how organizations function. If you have little or no work experience, in place of steps 1 and 2, imagine that you are a consultant retained by the CEO of a large retailing organization and have been tasked to provide her with an assessment of the strengths and weaknesses of the company. She has given you authority to go anywhere, speak to anyone and access any company data you may require. The company has a network of large out-of-town superstores selling food and related products. It is one of the largest retailers in the country and has a long history of successful trading, but over the past three years its shares have underperformed. Your task is to produce a list of the bits of information you would seek out or attend to in order to diagnose the ‘health’ of the organization. Enter the information you would attend to in [Table 8.2](#) of the exercise, before going on to step 3. Try and identify at least 25.

Step 3 Group related bits of information together

Some of the bits of information you used to make your assessment might be related, and it might be possible to group them together into some more inclusive categories that reflect the main elements of your subjective diagnostic model:

- Do this by grouping related kinds of information into the ‘element’ boxes provided below. Typically, people identify 4–12 elements, but there are no restrictions on the number of you might identify.
- When you have done this, describe the rationale you used for grouping together the different bits of information.

Use additional boxes if required.

Name of element	Name of element
Items included:	Items included:
Rationale for grouping these bits of information together:	Rationale for grouping these bits of information together:

Name of element	Name of element
Items included:	Items included:
Rationale for grouping these bits of information together:	Rationale for grouping these bits of information together:

Name of element	Name of element
Items included:	Items included:
Rationale for grouping these bits of information together:	Rationale for grouping these bits of information together:

Name of element	Name of element
Items included:	Items included:
Rationale for grouping these bits of information together:	Rationale for grouping these bits of information together:

Step 4 Specifying relationships between elements

Step 4 of the model-building process focuses on the interdependencies and causal relationships between the elements. These can be identified by considering whether a change in any one element will have an effect on any other element:

- Using the format of [Table 8.3](#) below, list the elements identified in step 3 down the left-hand column and across the top of the table.
- Take each element in the left-hand column in turn and assess the impact a change in this element might have on every other element, using a three-point scale, where 0 = no or slight impact, 1 = moderate impact and 2 = high impact.
- Sum the scores for each row.
- Rank the scores (1 = highest). The rank order of the elements indicates your assessment of the key drivers of performance.

Table 8.3 *Interdependencies between elements*

Effect of change on	1	2	3	4	5	6	7	8	9	10	11	12	Σ sum	Rank order
Elements														
1	-													
2		-												
3			-											
4				-										
5					-									
6						-								
7							-							
8								-						
9									-					
10										-				
11											-			
12												-		

NB: Although elements might be interrelated and affect each other, one element, for example A, can have a greater effect on another, for example B, than vice versa. This is illustrated in [Table 8.4](#), where element A has a high impact on element B (score = 2), but element B has only a moderate impact (score = 1) on element A.

Table 8.4 *An example of a matrix of interdependencies*

Elements	A	B	C	D	E	Sum	Rank
A	-	②	1	0	2	5	2
B	①	-	1	0	1	3	4
C	0	1	-	0	1	2	5
D	0	0	2	-	2	4	3
E	2	1	1	2	-	6	1

Your implicit model can be represented diagrammatically:

- Draw a circle for each of the elements you identified in [Table 8.1](#).
- Label each circle with the name of the element it represents.
- Draw lines between those elements that have a moderate or high impact on each other. Use a solid line to show a strong (high-impact) relationship between elements, with the arrowhead indicating the direction of a cause-and-effect relationship, and a dotted line to show a moderate link. Do not join elements that have only a slight or no impact on each other.
- Insert the rank order of each element in each circle to indicate its impact on other elements

The model represented by [Table 8.4](#) is presented diagrammatically in [Figure 8.2](#).

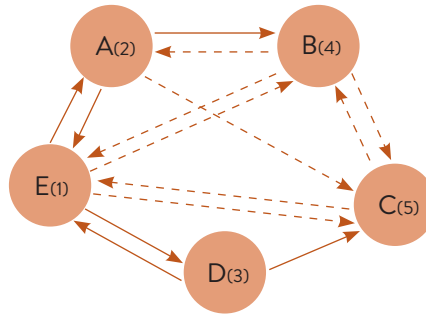


Figure 8.2 A causal map of a diagnostic model

Source: Adapted from N.M. Tichy and H.A. Hornstein, 'Collaborative model building'. In *Organizational Assessment: Perspectives on the Measurement of Organizational Behaviour and the Quality of Work Life*, p. 311. Copyright © 1980 by John Wiley & Sons Inc.

Draw your model here

After a short discussion of component versus holistic models and open systems theory, the rest of this chapter presents a range of models of organizational functioning that are widely used to aid diagnosis. When you have read to the end of this chapter, you might find it useful to compare your own model with these alternatives and consider whether they suggest ways of improving your model. Exercise 8.2 provides some pointers that may help you to do this.

COMPONENT VERSUS HOLISTIC MODELS

Component models focus on particular aspects of organizational functioning, such as motivation, decision making, group dynamics, organization structure and so on, whereas holistic models consider the system as a whole. Nadler and Tushman (1980, p. 262) acknowledge the utility of component models but caution against combining, in some additive manner, the specific assessments they provide because they may produce an incomplete or misleading view of the organization. They argue that the systemic nature of organizations implies that:

there are properties of the whole that cannot be understood by simply adding together the component parts. Indeed, part of the dynamic of the whole concerns the nature of the interaction among the different components of organizational behaviour.

This echoes the essence of the ancient Indian story of six blind men encountering an elephant. Each one touched a different part of the elephant's body. The blind man who felt a leg said the elephant was like a pillar; the one who felt its tail said it was like a rope; the one who felt its trunk said it was like a tree branch; the one who felt its ear said it was like a large fan; the one who felt the side of its belly said it was like a wall; and the one who felt the end of its tusk said it was like a spear. When they shared the descriptions of what they had discovered, they learned little about the nature of the whole system (the elephant).

The new CEO in the SSSE case study started his diagnosis by reviewing the organization as a whole and it was only later, after specific problems had been identified, that he and his team began to use component models to drill down, explore particular issues and develop cause-and-effect hypotheses, which provided the basis for designing interventions that could secure the changes that would improve the situation. When interviewed after the change, the CEO revealed his thinking

about the nature of organizations and how he used this to guide his search for understanding what was going on in SSSE. The model presented in Figure 8.3 shows the main elements of his model and the cause-and-effect relationships between them.

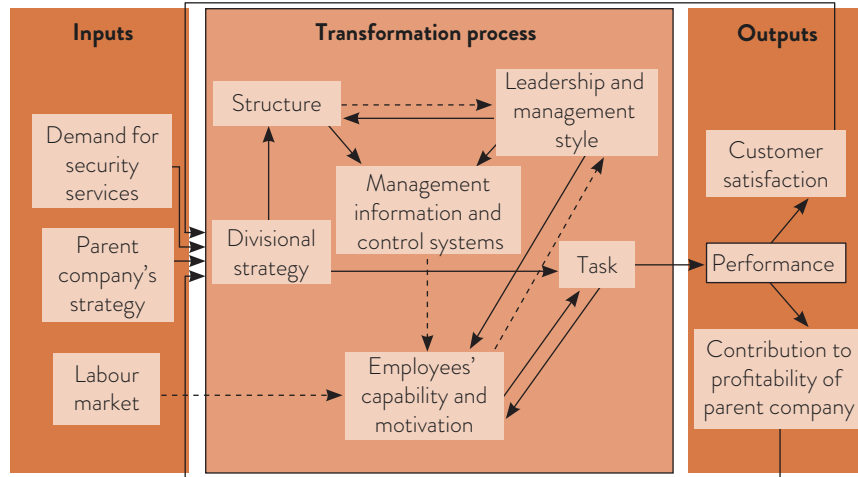


Figure 8.3 The CEO's model of causal relationships affecting the performance of SSSE

OPEN SYSTEMS THEORY

Open systems theory provides a framework that views an organization as a system of interrelated components that transact with a larger environment. From the perspective of open systems, some of the main characteristics of organizations are that they are:

- *Embedded within a larger system:* Organizations are dependent on the larger system (environment) for customers and the resources, information and feedback they require in order to survive.
- *Able to avoid entropy:* Through the exchange of matter, energy and information with the larger environment, organizations can forestall entropy, the predisposition to decay. They can even increase their vitality over time. In this respect, organizations are different to people. People are partially closed systems, in that while they can import food, water and air to breathe, there are parts of the human body that cannot be renewed or replaced. Groups and organizations, on the other hand, have the potential for indefinite life. In their simplest form, as illustrated by Figure 8.4, organizations can be portrayed as open systems in a dynamic relationship with their environment, receiving various inputs they transform in some way and export as outputs. In order to survive, organizations need to maintain favourable input–output transactions with the environment.
- *Regulated by feedback:* Systems rely on information about their outputs to regulate their inputs and transformation processes (see Figure 8.4). Feedback loops also exist between the various internal components of the system. Thus, changes in any one component can affect changes in other components.



Figure 8.4 The organization as an open system

- *Subject to equifinality:* The same outcomes can be produced by configuring the system in different ways.

- *Cyclical in their mode of functioning*: Events are patterned and tend to occur in repetitive cycles of input, throughput and output. For example, the revenue generated from selling outputs can be used to fund inputs such as labour, raw materials and equipment, which are then used to produce more outputs.
- *Equilibrium seeking*: Open systems tend to gravitate towards a state where all the component parts of the system are in equilibrium and a steady state exists. Whenever changes occur that upset this balance, different components of the system move to restore the balance. (Note the links with Lewin's field theory, discussed in Chapter 2.)
- *Bounded*: Open systems are defined by boundaries. External boundaries differentiate the organization from the larger environment and regulate the flow of information, energy and matter between the system and its environment. Internal boundaries differentiate the various components of the system from each other and regulate the inputs and outputs of subsystems.

While recognizing the utility of component models (many of which can be found in any good text on organizational behaviour), the remainder of the chapter presents five holistic (total system) models that have been widely used for diagnosing the need or opportunity for change:

1. *Kotter's integrative model of organizational dynamics*: highlights the importance of alignment and explores the factors that determine organizational effectiveness in the short, medium and long term.
2. *The McKinsey 7S model*: illustrates how change tools can be developed to identify areas of misalignment that require further investigation.
3. *Weisbord's six-box model*: draws attention to informal as well as formal aspects of organizational functioning.
4. *The Burke-Litwin causal model of organizational performance and change*: draws attention to the causal weight of the various elements of the organization and indicates how the requirement for different types of change can affect which elements of the organization might need to be a focus for attention.
5. *Klofsten's business platform model*: useful when diagnosing what needs to be done to secure the survival of a new venture or to diagnose why a new business is not thriving.

KOTTER'S INTEGRATIVE MODEL OF ORGANIZATIONAL DYNAMICS

Open systems theory predicts that changes to any one of the internal or external elements of an organization's system will cause changes to other elements. This implies that in order to understand the performance of an organization, one must view it as a system of interconnected choices (Siggelkow, 2001). Kotter (1980) elaborated on this proposition when he developed his integrative model of organizational dynamics. His model comprises seven major elements; a set of key organizational processes plus six structural elements, as shown in [Figure 8.5](#).

There are two interdependent sets of organizational processes; one set relates to the transportation or conversion of energy and matter, and the other to information gathering, decision making and communication. There are, of course, many more specific processes that can be labelled according to their purpose, such as market research, product development or manufacturing processes. The six structural elements in Kotter's model are shown in [Table 8.5](#).

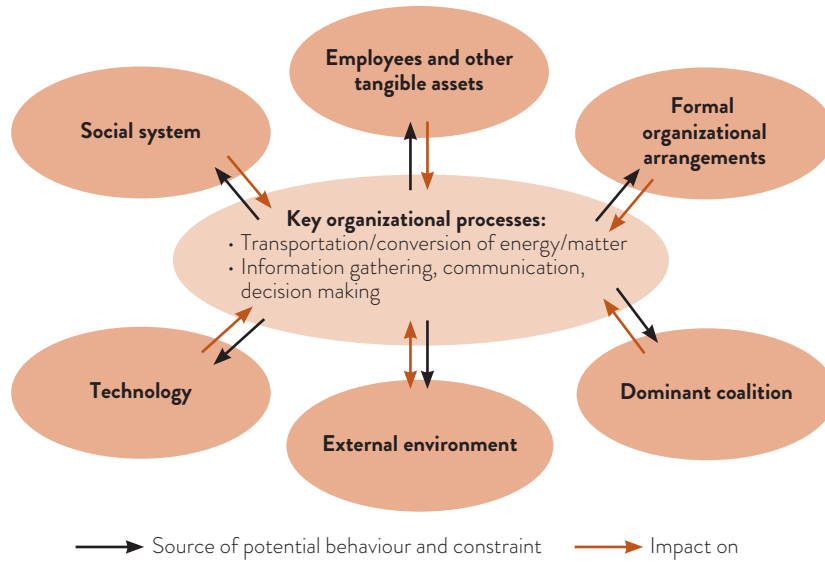


Figure 8.5 Kotter's integrative model of organizational dynamics

Source: Adapted from J.P. Kotter, *Figure 13.1 Short-run dynamics*, from 'An integrative model of organizational dynamics'. In *Organizational Assessment: Perspectives on the Measurement of Organizational Behavior and the Quality of Work Life*, p. 282. Copyright © 1980 by John Wiley & Sons Inc.

Table 8.5 The six structural elements in Kotter's model

1	External environment: including the immediate task-related environment and the wider environment, which includes public attitudes, the political system and so on
2	Technology (or technologies): associated with the organization's core products
3	Social system: including the organization's culture and social structure
4	Employees and other tangible assets: such as buildings, plant, inventories and cash
5	Formal organizational arrangements: these specify the grouping of activities and hierarchical arrangements, job design and operating systems
6	Dominant coalition: the objectives and strategies of those who control policy making

A distinguishing feature of this model is that it highlights which aspects of organizational functioning impact effectiveness over the short, medium and long term.

Short term

In the short term, an organization's effectiveness can be defined in terms of the nature of the cause-and-effect relationships that link all the elements of the system together. For example, if demand for a major product begins to slump, leaders in some organizations will recognize this and take corrective action much faster than leaders in other organizations. An organization's response will be influenced by the quality of its information-gathering and decision-making processes and by how quickly these processes can affect other elements in the organization to adjust matter/energy conversion and transportation processes in ways that will maintain their efficiency. Adjustments might involve cutting production, finding new customers, or reducing prices in order to minimize any build-up of stocks of finished goods. Any delays in reacting to changes will result in a wasteful use of resources.

In the short term, therefore, effective organizations are those that have key processes characterized by high-quality decision making and matter/energy efficiency that help to ensure that resources are used to best advantage. This point is well illustrated by those organizations that responded to the COVID-19 pandemic in 2020 by quickly establishing new arrangements that focused on planning for immediate survival.

Medium term

Kotter argues that over the medium term, which he defines as a few months to a few years, an effective organization is one that is capable of maintaining its short-term effectiveness. He suggests that organizations do this by maintaining the key process elements in an efficient and effective state because it is this that enables them to ensure that the six structural elements are aligned to each other. Sustained misalignment (sometimes referred to as 'poor fit') leads to levels of waste that will eventually threaten the organization's survival. He suggests that what constitutes a misaligned relationship between any two or more structural elements is often 'intuitively obvious', and cites two examples to illustrate the point:

- If the size of the workforce or the organization's other tangible assets are not sufficient to take advantage of the economies of scale inherent in the organization's technologies, the two elements are obviously misaligned.
- If the level of specialization called for in formal organizational arrangements is inconsistent with the skills of the workforce, then again the two elements are misaligned.

The most common sources of misalignment are changes in the external environment and growth. Kotter argues that organizational systems correct misalignments by taking the path of least resistance – they move towards the solution that requires the minimum use of energy. This usually involves realigning around the element or elements of the organization that are most difficult and expensive to change (or emerge as the driving force over the longer term). However, if the organization can afford the waste associated with misalignment, minor examples of poor fit could go uncorrected for some time. This argument suggests that, over the medium term, the focus of change management is to ensure that the elements of the organization are appropriately aligned.

Long term

Over the longer term (6–60 years), Kotter predicts that it is the organization's driving force and adaptability of the six structural elements that will be the underlying determinant of effectiveness. He notes that, over time, one or more of the structural elements, for example the external environment, technology, the employees or the dominant coalition, typically begin to exert more influence on key organizational processes than the other elements. This element (or elements) emerges as the driving force that shapes the development of the company. He argues that because of the nature of the interdependence among all the elements and the equilibrium-seeking disposition of systems, if one or two elements emerge as the driving force, the natural tendency is for the others to follow. They adapt to the 'driving force' in order to maintain internal alignment. The founder and managing director of ASE (see Case Study 5.2) illustrates this point. His obsessive concern with engineering excellence dominated the organization's culture and shaped its strategy and management practices for many years. This argument suggests that the driving force can create a 'deep structure' within an organization, which can become a source of inertia and inhibit change (see the discussion of this point in Chapters 1 and 3).

The key to an organization's prosperity and long-term survival is its ability to adapt in order to maintain external alignment. According to Kotter, this adaptability is a function of the state of its structural elements. These can range on a continuum from highly constraining and hard to align with other structural elements to non-constraining and easy to align with. He provides examples of structural states that do and do not facilitate system adaptation, shown in Table 8.6. The more an organization's structural elements look like those in the left-hand column of Table 8.6, the more difficult it will be for the organization to adapt. Adaptability is important because it determines whether or not the organization will be able to maintain the required degree of alignment over the long term.

Table 8.6 Examples of element states that do and do not facilitate system adaptation

Factors	States that are highly constraining and hard to align with, thus inhibiting adaptation	States that are not constraining and are easy to align with
Technology	Organization possesses a single complex technology, which is rapidly becoming outdated and requires large amounts of capital for equipment	Organization possesses the most advanced technologies for its products, services and administrative systems, along with a number of alternative technologies it might need in the future
Social system	Key norms are not supportive of organizational flexibility; little trust found in relationships; total power in the system is low; morale is low; little sense of shared purpose	Key norms are supportive of organizational flexibility; high trust found in relationships; total power in the system is high; morale is high; high degree of shared purpose
Employee and other tangible assets	Plant and equipment are run-down; employees, especially middle managers, are unskilled; organization has some highly specialized human skills and equipment it doesn't need anymore	Plant and equipment in top-notch shape; employees, especially middle managers, are highly skilled; organization possesses equipment and people with skills it doesn't need now but may need in the future
Organizational arrangements	Formal systems are not sophisticated but are applied in great detail, uniformly across the organization	Different kinds of formal systems exist for structuring, measuring, rewarding, selecting and developing different types of people working on different tasks; formal systems also exist to monitor change in the organization and its environment and to change the formal systems accordingly
Dominant coalition	A small, homogeneous, fairly untalented group with no effective leadership; all about the same age	A large, heterogeneous but cohesive group of reasonably talented people who work well together and have plenty of effective leadership; members are of different ages
External environment	The organization is dependent on a large number of externalities, with little or no countervailing power Demand for products and services is shrinking; supplies are hard to get; regulators behave with hostility and inconsistency Public angry at the firm; economy in bad shape; political system isn't functioning well; overall, the environment is hostile	The organization has a limited number of strong dependencies, with a moderate amount of countervailing power over all dependencies Demand for products and services is growing; supplies are plentiful; regulators behave consistently and fairly Public likes the organization; economy is in good shape; political system is functioning well; overall, the environment is benevolent

Source: Adapted from J.P. Kotter, Table 13.4 Examples of element states that do and do not facilitate system adaptation, from 'An integrative model of organizational dynamics'. In *Organizational Assessment: Perspectives on the Measurement of Organizational Behavior and the Quality of Work Life*, pp. 292–3. Copyright © 1980 by John Wiley & Sons Inc.

THE MCKINSEY 7S MODEL

The McKinsey 7S model highlights seven interrelated elements of organizations (Figure 8.6), which, when aligned, make an important contribution to organizational effectiveness (Pascale and Athos, 1981). It can be used to identify relationships that are misaligned and point to elements of the organization that need to be changed. The seven elements are shown in Table 8.7.

Table 8.7 The seven elements of the McKinsey 7S model

1	Strategy: Purpose of the business and the way the organization seeks to enhance its competitive advantage
2	Structure: Division of activities; integration and coordination mechanisms; nature of informal organization
3	Systems: Formal procedures for measurement, reward and resource allocation; informal routines for communicating, resolving conflicts and so on
4	Staff: The organization's human resources, its demographic, educational and attitudinal characteristics
5	Style: Typical behaviour patterns of key groups, such as managers and other professionals, and the organization as a whole
6	Shared values and superordinate goals: Core beliefs and values and how these influence the organization's orientation to customers, employees, shareholders and society at large. Figure 8.6 shows shared values at the centre of the model
7	Skills: The organization's core competences and distinctive capabilities

Change managers using the 7S model can draw on their knowledge of the organization's seven elements (based on the first phase of the diagnosis) to construct a 7S matrix (see Change Tool 8.1) and use the matrix to assess the degree of alignment between the elements. For example, using a five-point scale, the change manager can assess the extent to which shared values are aligned with the organization's strategy, structure, systems, staff, skills and so on. This analysis will point to areas where it might be necessary to draw on component models to design an intervention to change an element in order to improve fit. However, introducing a change to improve the fit between two specific elements might create misalignments elsewhere, but the model provides a framework for reviewing each change and taking further action as required.

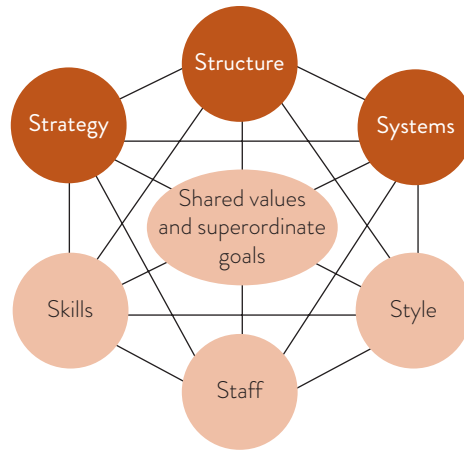


Figure 8.6 The McKinsey 7S model

Source: Reprinted from *Business Horizons*, 23(3), R.H. Waterman, T.J. Peters and J.R. Phillips, p. 18, *Diagram: A new view of organization*, Copyright 1980, with permission from Elsevier.

PART III

CHANGE TOOL 8.1 The 7S matrix						
Strategy	Structure	Systems	Staff	Style	Shared values	Skills
Describe strategy	Strategy/structure alignment	Strategy/systems alignment	Strategy/staff alignment	Strategy/style alignment	Strategy/values alignment	Strategy/skills alignment
	Describe structure	Structure/systems alignment	Structure/staff alignment	Structure/style alignment	Structure/values alignment	Structure/skills alignment
		Describe systems	Systems/staff alignment	Systems/style alignment	Systems/values alignment	Systems/skills alignment
			Describe staff	Staff/style alignment	Staff/values alignment	Staff/skills alignment
	Describe style	Style/values alignment	Style/skills alignment			
		Describe shared values	Values/skills alignment			
					Describe skills	

WEISBORD'S SIX-BOX MODEL

Weisbord (1976) presents his systemic model as a 'practice theory' that synthesizes knowledge and experience from change agents. It provides a conceptual map of six elements or boxes that can be used to apply any (component) theories to the assessment of these elements in a way that can reveal

new connections and relationships between them (Figure 8.7). It is an open systems model that recognizes the importance of organization–environment relationships but focuses most attention on what needs to be done internally to ensure that the organization becomes and/or remains a high performance organization able to adapt to external changes.

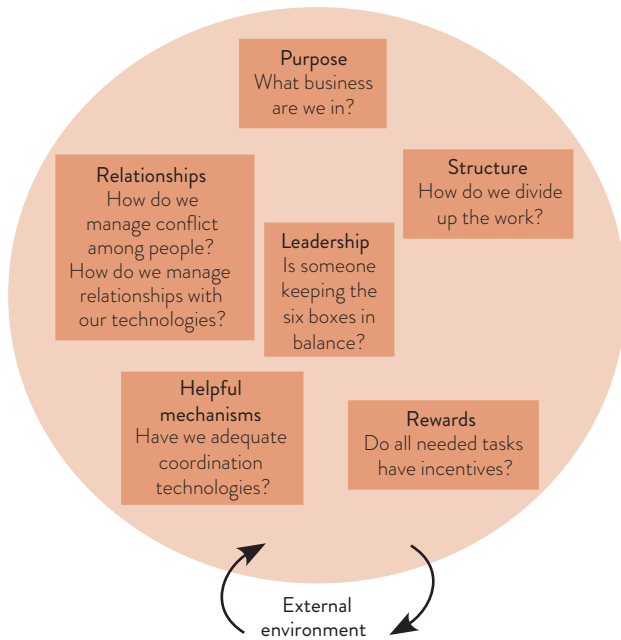


Figure 8.7 Weisbord's six-box model

Source: Adapted from M.R. Weisbord, 'Organizational diagnosis: Six places to look for trouble with or without a theory', Figure 1, *The six-box organizational model*, *Group and Organization Management*, 1(4), p. 432, 1976, SAGE Publications, <https://doi.org/10.1177/105960117600100405>.

Weisbord (1976) argues that the effectiveness of an organization's functioning depends on what goes on in and between the six boxes. There are two aspects of each box that deserve attention: the formal and the informal. He argues that the formal aspects of an organization, for example stated goals or the structure as represented by an organization chart, might bear little relation to what happens in practice. Attention needs to be given to the frequency with which people take certain actions in relation to how important these actions are for organizational performance (see Change Tool 28.2). This leads to a consideration of why people do what they do, and what needs to be changed to promote more effective behaviour. Leadership is seen to have a role to play in coordinating what goes on in the other five boxes.

Weisbord (1976) suggests that a useful starting point for any diagnostic exercise is to:

- focus on one major output (of a unit or the total organization)
- explore the extent to which the producers and the consumers of the output are satisfied with it
- trace the reasons for any dissatisfaction to what is

happening in or between the six boxes that represent the unit or organization under consideration (a similar methodology underpins Change Tool 5.1).

THE BURKE-LITWIN CAUSAL MODEL OF ORGANIZATIONAL PERFORMANCE AND CHANGE

The Burke-Litwin (1992) model points to the relative weight of the elements of organizational functioning and the causal linkages that determine the level of performance and affect the process of change. The model also differentiates between two types of change:

- *transformational change* that occurs as a response to important shifts in the external environment
- *transactional change* that occurs in response to the need for more short-term incremental improvement.

These features distinguish this model from the others considered in this chapter.

The model comprises 12 interrelated elements (Figure 8.8). It is an open systems model in which the inputs are represented by the external environment element at the top of the figure, and the outputs by the individual and organizational performance element at the bottom. Feedback loops go in both directions: the organization's performance affects its external environment and the external environment affects performance. The remaining 10 elements represent the process of transforming inputs into outputs, and reflect different levels of this process. Strategy and organizational culture, for

example, reflect aspects of the whole organization or total system. Work unit climate is an element associated with the local unit level, and motivation, individual needs and values, and tasks and roles are individual-level elements.

The model is presented vertically (rather than across the page from left to right) to reflect causal relationships and the relative impact of elements on each other. Burke and Litwin posit that those elements located higher in the model, such as mission and strategy, leadership, and organizational culture, exert greater impact on other elements than lower elements do on higher elements.

This said, the model does not prescribe that change should always start with elements at the top of the model. It is a predictive rather than a prescriptive model. It specifies the nature of causal relationships and predicts the likely effect of changing certain elements rather than others. The decision about where to intervene first might be influenced by whether the aim is to secure transformational or transactional change. The model elaborates these two distinct sets of organizational dynamics. One is associated with organizational transformation and the need for a fundamental shift in values and behaviour, while the other is associated with behaviour at the more everyday level.

Transformational change is required when an organization has to respond to the kinds of environmental discontinuities considered in Chapter 3. This kind of change involves a paradigm shift and completely new behaviours. Instead of changes designed to help the organization do things better, the organization needs to do things differently or do different things. This calls for the principles, assumptions and values that underpin the implicit and explicit rules guiding behaviour to be revised. It involves a change in the organization's culture. It also calls for a change in the organization's mission and strategy, and for managers at all levels to provide a lead and behave in ways that clarify the new strategy and encourage others to act in ways that will support it. Where the need is for this kind of change, attention should be focused on the transformational elements highlighted in Figure 8.9.

Transactional change is associated with fine-tuning and incremental adaptation, with how the organization functions within the existing paradigm. The focus of attention needs to be the structures, management practices and systems that

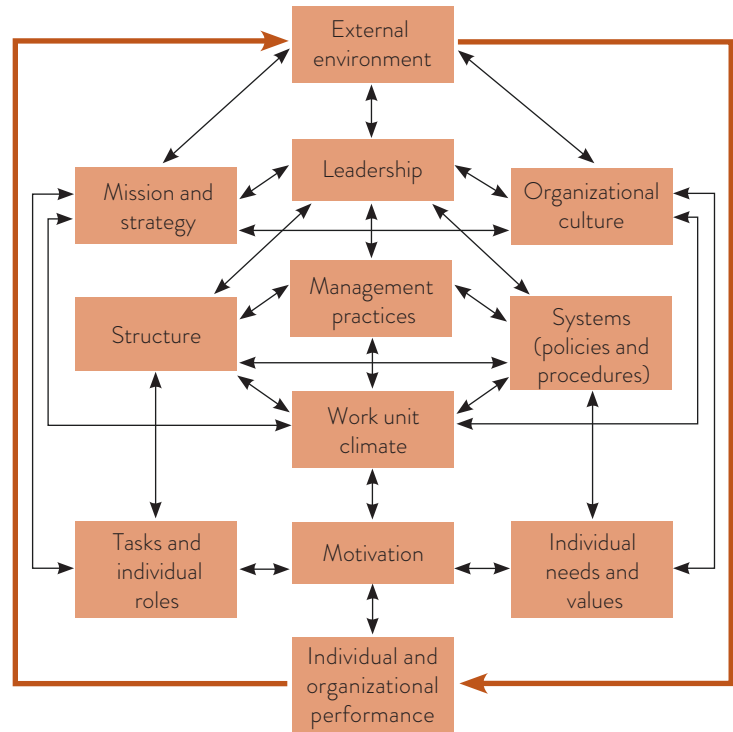


Figure 8.8 The Burke-Litwin causal model of organizational performance and change

Source: Adapted from W.W. Burke and G.H. Litwin, 'A causal model of organizational performance and change', Figure 1, *A model of organizational performance and change*, *Journal of Management*, 18(3), p. 528, 1992, SAGE Publications, <https://doi.org/10.1177/014920639201800306>

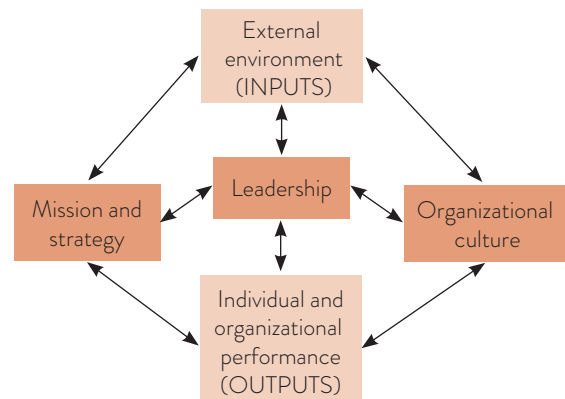


Figure 8.9 The transformational factors

Source: Adapted from W.W. Burke and G.H. Litwin, 'A causal model of organizational performance and change', Figure 2, *A model of organizational performance and change: the transformational factors*, *Journal of Management*, 18(3), p. 530, 1992, SAGE Publications, <https://doi.org/10.1177/014920639201800306>.

affect the work climate, which in turn impacts on motivation and performance at the unit and the individual level.

Interventions designed to bring about organizational transformation that target ‘higher level’ elements in the model will eventually and inevitably have an impact on all other elements in the system because of their weight and relative impact. If, however, the target of interventions is primarily the elements in the lower part of the model, aimed at achieving what Burke and Litwin refer to as ‘transactional change’, the impact is more likely to remain at the local unit level. Interventions targeted at this type of element might have relatively little, if any, impact on overall organizational culture and strategy. Burke and Litwin (1992) present an impressive (if selective) summary of studies that provide empirical support for the causal linkages hypothesized by their model.

KLOFSTEN’S BUSINESS PLATFORM MODEL

Klofsten’s business platform model is useful when diagnosing what needs to be done to secure the survival of a new venture or to diagnose why a new business is not thriving. Building on the ideas of Gibb and Scott (1986), Klofsten (1994) argues that a business’s survival and subsequent success are affected by the founder’s ability to build and maintain a business platform that comprises eight elements or ‘cornerstones’ (see Table 8.8 and Figure 8.10). Klofsten (1994) asserts that an essential prerequisite for success is that a business reaches at least a minimum level of competence in all eight cornerstones.

Table 8.8 Klofsten’s business platform model

1	<i>The business idea:</i> a clear idea about how the business will create value for customers and profits for owners
2	<i>The product:</i> a product or service that customers want to buy at a price that will cover all costs and provide a profit
3	<i>The market:</i> a well-defined target market that is large enough and profitable enough to ensure survival
4	<i>The organization:</i> a structure that facilitates the coordination of activities such as purchasing, production, finance, marketing, staffing and distribution
5	<i>Core group expertise:</i> access to the technical and commercial competences required to develop and manufacture products and serve the market. Some of these might be provided by the business founder but others may have to be hired in or developed
6	<i>Core group motivation:</i> high motivation and commitment from the business founder and other key individuals
7	<i>Customer relations:</i> good relations with early and prospective customers
8	<i>Other relations:</i> good relations with other stakeholders such as suppliers, financiers, regulators and distributors

ASSESSING AN ORGANIZATION’S ABILITY TO COPE WITH BIG-BANG DISRUPTIONS SUCH AS THE COVID-19 PANDEMIC

An issue that managers might want to give more attention to, following the COVID-19 pandemic of 2020, is the identification of their organization’s vulnerabilities to big-bang disruptions and the assessment of its capability to respond.

The diagnostic models presented in this chapter conceptualize organizations as open systems. A feature of Kotter’s integrative model of organizational dynamics (the first model considered) is that it prioritizes those factors that can affect performance over the short, medium and long term. Responding to a sudden crisis requires an immediate response. Kotter’s model suggests that the effectiveness of any instant response will depend, to a large extent, on two interdependent processes, one relating to information gathering, decision making and communication, and the other relating to the transportation or conversion of energy and matter. However, the effectiveness of these processes can be affected by the other elements in Kotter’s model. For example, the organization’s formal structure and social system can affect connectivity, trust and the availability of information, and the ways in which available information is used to make decisions.

When faced by an unanticipated sudden crisis, some organizations and societies respond more effectively than others. This led van der Vegt et al. (2015), in their role as editors of the *Academy of Management Journal*, to inspire management scholars to take up the ‘grand challenge’ of studying the role and functioning of organizations during adverse natural or social events.

The traditional way of coping with such events has been for managers to focus on identifying risks and using this assessment as the basis for developing emergency plans (see Chapter 11). This is still a valid approach, but not in those circumstances where the organization may have to cope with a crisis that arises from a low probability, high impact event that is characterized by ambiguity of cause, effect and means of resolution (Pearson and Clair, 1998). It can be difficult, if not impossible, to develop detailed plans for coping with such events. In these circumstances, the most effective way forward, rather than developing emergency plans, could be to focus on improving the organization’s resilience, its ability to absorb, develop situation-specific responses to, and, ultimately, engage in transformative activities to capitalize on such disruptive surprises (Lengnick-Hall et al., 2011).

Van der Vegt et al. (2015, p. 6) view resilience as a characteristic of the whole system rather than of the system’s individual parts, and argue that in order to ‘understand a system’s resilience, it is important to identify the capabilities and capacities of important parts of the system, and to examine how they interact with one another and with their environment’. The parts of the system they highlight as important include the capabilities of employees, social networks, formal organizational structures, and interorganizational networks. Linnenluecke (2017), after conducting an extensive review of research into resilience, echoed some of these observations but also highlighted business models and the design of supply chains as factors that have attracted the attention of researchers.

Some of these individual parts of the system that can make organizations more resilient are considered in other chapters, but it is important to view these potential contributions as parts of the overall system; efforts to improve resilience need to focus on the whole system.

REVISING YOUR PERSONAL MODEL OF ORGANIZATIONAL FUNCTIONING

This chapter has presented a brief summary of some widely used holistic models of organizational functioning and has identified some of the main differences between them. You are advised to develop a ‘healthy scepticism’ towards the utility of specific models and constantly reassess which is most appropriate for the purpose at hand.

Characteristics of a good model

All the models that have been considered are simplifications of the real world. None are guaranteed to accommodate all circumstances, provide a reliable basis for understanding why things are the way they are, or identify actions that can be taken to produce a desired outcome. Depending on circumstances and purpose, some theories or models might have greater utility than others.

Three characteristics of ‘good’ diagnostic models are that they:

1. Are relevant to the particular issues under consideration
2. Help change agents to recognize cause-and-effect relationships
3. Focus on elements they can influence.

✓ EXERCISE 8.2 Reflecting on your implicit model of organizational functioning

At the end of Exercise 8.1, it was recommended that, after reading this chapter, you reflect on and review your own model of organizational functioning. Some points you might consider are:

- How the models presented above relate to your personal experience. For example, to what extent do they accommodate or ignore elements and causal relationships that your experience has led you to believe are important? It might be unwise to slavishly apply a model that ignores aspects of organizational functioning that your own experience tells you are significant.
- Do any of these models include elements and/or relationships that you have never previously considered but which, on reflection, might help you to make better sense of your own experience? You need to be alert to the danger of rejecting alternative models too hastily. You might find that a model that is quite different from your own personal model can provide useful new insights.

Giving proper consideration to these issues can help to refine and improve your personal model of organizational functioning.

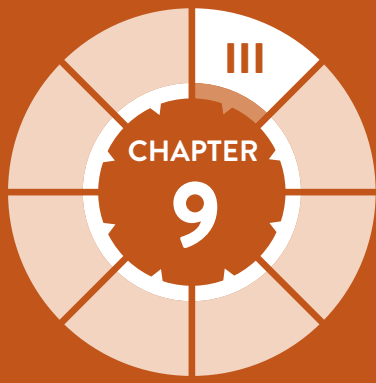
SUMMARY

Organizational diagnosis is a process of research into the functioning of an organization that leads to recommendations for improvement. This chapter outlines the key steps in the diagnostic process and explains how each one contributes to the identification of possibilities for improvement.

The relative merits of component and holistic models are discussed before the main body of the chapter focuses on five holistic models that can be used to aid diagnosis.

Big-bang disruptions (such as the COVID-19 pandemic) change how the diagnostic process unfolds because they require that, in the first instance, attention is focused on ensuring immediate survival before exploring medium- and long-term possibilities for improvement.

You might find it useful to compare your own model (as revealed by Exercise 8.1) with the holistic models presented in this chapter and consider whether any of the five models suggest ways of improving your own approach to diagnosis.



GATHERING AND INTERPRETING INFORMATION

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Understand ways of gathering, analysing and interpreting information about individual, group and organizational functioning.
2. Draw on your own mental map and/or relevant conceptual models of how organizations function to identify the kind of information you need to make a diagnosis.
3. Assess the merits of different methods for collecting data and select those that will be most effective in particular circumstances.
4. Decide how to sample people, activities and records in order to provide a representative picture of what is going on.
5. Select appropriate methods for analysing the information.
6. Recognize political considerations that might have to be taken into account when collecting or interpreting data.
7. Compare and contrast the relative merits of SWOT and force-field analysis as frameworks for organizing data for developing action plans.

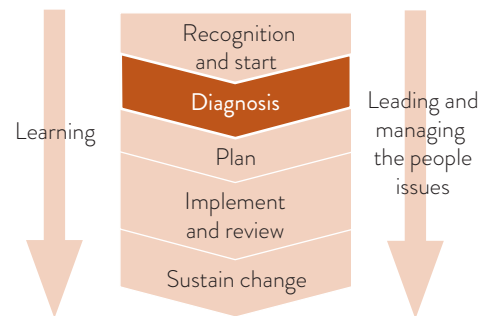
Diagnosing the need for change involves a process of gathering, analysing and interpreting information about individual, group and organizational functioning. This chapter begins with a brief recap of the importance of selecting an appropriate model for the diagnosis (considered in Chapter 8) and then goes on to focus on:

1. clarifying information requirements
2. information gathering
3. analysis
4. interpretation.

The final section considers how diagnostic information, once interpreted, can be used to begin the process of action planning. The SWOT analysis and force-field analysis are introduced as useful frameworks for planning what needs to be done.

SELECTING A DIAGNOSTIC MODEL

It was noted earlier that organizational behaviour, at all its different levels, is a complex phenomenon and it is impossible for managers to pay attention to every aspect of organizational functioning. We cope with this complexity, sometimes unconsciously, by developing or adopting conceptual models that simplify the real world and focus attention on a limited number of elements and relationships.



Some of the explicit models of organizational functioning available to change agents relate to how the organization functions as a total system. Others, known as 'component models', focus on selected elements of the overall system, such as leadership, structure, job design, competences and so on. A range of holistic models was considered in Chapter 8, and most good texts on organizational behaviour critically review a wide range of component models.

Conceptual models play a key role in the diagnostic process because they help us to decide which aspects of organizational behaviour require attention and provide a focus for information gathering. They also provide a basis for interpreting the information that has been collected.

When selecting a model for diagnosis, the first point to consider is the extent to which the model is relevant to the issue(s) under consideration, for example loss of market share, dysfunctional intergroup conflict, high labour turnover and so on. An effective model is one that identifies specific elements and/or cause-and-effect relationships that contribute to the problem or opportunity, and also indicates which of these have most weight (or effect) on other aspects of organizational functioning and performance. Evidence, from personal experience or published research, about the ability of a conceptual model to explain and predict cause-and-effect relationships can help the change manager to select an appropriate model for diagnosis. However, the ultimate aim of organizational diagnosis is more than improving our understanding of why something is the way it is. It also involves using this understanding to plan action to improve organizational effectiveness. Thus, if a diagnostic model is to have any practical utility, it needs to highlight aspects of organizational functioning that, either directly or indirectly, the change manager can work on.

CLARIFYING INFORMATION REQUIREMENTS

Exercise 8.1 invited you to think about the information you would use in order to diagnose the current state of your organization. This information was then categorized and used to help you make explicit your personal model of organizational functioning.

This process can be reversed. When a diagnostic model has been selected, the change manager can identify the items of information that will be required to assess how an organization (unit or group) is performing and to distinguish what is going well and what is going not so well. Two examples illustrate what this involves.

The 7S model focuses attention on seven aspects of organizational functioning – strategy, structure, systems, staff, style, shared values and skills (see [Figure 8.6](#)). A change manager using this model will need to identify the kind of information required to describe each element. For example, under 'strategy', they may seek information about how the organization goes about matching its resources with the opportunities, constraints and demands in the environment, how it plans to develop in the future, and how it goes about creating and maintaining a competitive advantage. Under 'structure', a change manager may seek information about formal and informal arrangements for grouping and coordinating activities, defining responsibilities, and establishing reporting relationships. An organization's structure might be described in terms of functions, divisions, a matrix or a network.

The 12 elements of the Burke-Litwin causal model of organizational performance, discussed in Chapter 8, are defined in [Table 9.1](#), together with examples of the kinds of questions that might be used to elicit information about each element. The examples are taken from a diagnostic exercise used by the BBC. The survey instrument included a minimum of four questions relating to each element of the model. Respondents were invited to respond to the questions on a five-point scale. The way a change manager can use this kind of information to identify what might need to be changed is considered later in this chapter.

Table 9.1 Examples of questions asked in a BBC staff survey

Elements	Description	Indicative questions
External environment	Any outside condition or situation that influences the performance of the organization, such as marketplaces, world financial conditions, political/governmental circumstances and so on	Regarding the pace of change, what would you say the organization as a whole is experiencing – from static to very rapid change?
Mission/strategy	What organizational members believe is the central purpose of the organization and how the organization intends to achieve that purpose over an extended time	How widely accepted are the organization's goals among employees?
Leadership	Executive behaviour that encourages others to take needed actions	To what extent do senior managers make an effort to keep in touch with employees at your level in the organization?
Culture	'The way things are done around here' – the collection of overt and covert rules, values and principles that guide behaviour and have been strongly influenced by history, custom and practice	To what extent are the standard ways of operating in the organization difficult to change?
Structure	The arrangements of functions and people into specific areas and levels of responsibility, decision-making authority and relationships	To what extent is the organization's structure clear to everyone?
Management practices/action	What managers do in the normal course of events to use human and material resources to carry out the organization's strategy	To what extent does your manager communicate in an open and direct manner?
Systems	Standardized policies and mechanisms that facilitate work. They typically manifest themselves in the organization's reward systems and in control systems such as goal and budget development and human resource development	To what extent are the communication mechanisms in the organization effective, for example grapevine?
Climate	The current collective impressions, expectations and feelings of the members of local work units. These affect members' relations with supervisors, with one another and with other units	Where you work in the organization, to what extent is there trust and mutual respect among employees?
Task requirements and individual skills	The behaviour required for task effectiveness, including specific skills and knowledge required for people to accomplish the work assigned and for which they feel directly responsible – the job–person match	How challenged do you feel in your present job?
Motivation	Aroused behavioural tendencies to move towards goals, take needed action and persist until satisfaction is attained	To what extent do you feel encouraged to reach higher levels and standards of performance in your work?
Individual needs and values	The specific psychological factors that provide desire and worth for individual actions and thoughts	(From disagree strongly to agree strongly) I have a job that matters.
Performance	The outcomes or results, with indicators of effort and achievement. Examples include productivity, customer or staff satisfaction, profit and service quality	To what extent is the organization currently achieving the highest level of employee performance of which they are capable?

Source: First two columns are adapted from W.W. Burke and G.H. Litwin, 'A causal model of organizational performance and change', *Journal of Management*, 18(3), pp. 523–45, 1992, SAGE Publications, <https://doi.org/10.1177/014920639201800306>.

Change Tool 9.2, at the end of the chapter, which looks at a force-field approach to opportunity development or problem management, provides another example of how a model can help to clarify the kind of information you need to collect.

When clarifying information requirements, those undertaking a diagnosis also need to take account of how easy or difficult it will be to collect the desired information and, later, how they can analyse it.

Information requirements when confronted by big-bang disruptions

As noted in Chapter 8, there are occasions when managers have to grapple with problems that, if not addressed quickly, could threaten the survival of their organization. Following the onset of the COVID-19 pandemic in 2020, many organizations failed, others struggled but survived and some prospered. When confronted by big-bang disruptions, managers have to give priority to collecting the information necessary to ensure survival and business continuity. Another short-term priority might be the identification of new opportunities that could help the organization navigate through the crisis. But, alongside this emergency response, attention also has to be given to gathering the information that will help secure the organization's longer term future. Sometimes, different groups are tasked with collecting the data required to survive the crisis and the data required for planning ahead and, hopefully, thriving in the new normal. Structural arrangements that can facilitate this data gathering are considered in Chapter 10.

INFORMATION GATHERING

The information-gathering stage of the process begins with a series of planning decisions relating to which methods of data collection to employ and whether data can/should be collected from every possible source or from a representative sample of the total population of sources. In Case Study 8.1 on SSSE, data were collected via observations, conversations (informal interviews), focus groups (group interviews), questionnaires (job diagnostics survey) and reading reports, and various people, including a sample of customers, were involved in this process.

A number of different techniques or methods can be used to collect information, including individual and group interviews, questionnaires, projective methods such as drawings and collages, observation, and the use of secondary data, sometimes referred to as 'unobtrusive measures'. Cummings and Worley (2001) provide a useful discussion of most of these methods. Their main features are summarized below.

Interviews

Individual and group interviews are a rich source of information about what is going on in an organization. People can be asked to *describe* aspects of the organization and how it functions, and to make *judgements* about how effectively the organization, or an aspect of it, functions and how they *feel* about this – their affective reaction. For example, after describing how the appraisal system operates in an organization, some employees might judge it to be ineffective but indicate that they are quite happy about this because the ineffective system works to their personal advantage.

Individual interviews have some added advantages. Respondents might be persuaded to share private views they may be reluctant to express in a more open forum. The interaction between interviewer and respondent can offer the possibility that respondents might be stimulated to articulate and make explicit vague feelings and views they had not previously formulated at a conscious level.

Interviews are adaptive. If respondents raise issues the interviewer had not anticipated, the interview schedule can be modified to allow these emerging issues to be explored in more detail. The interview also offers the opportunity for the interviewer/change agent to build rapport and develop trust with respondents and motivate them to develop a constructive attitude towards the change programme.

Interactions between respondents in a group interview can generate information that might not be forthcoming in an individual interview. For example, if individuals from different units or levels

in the organization express different views, these differences might promote a useful discussion of why the conflicting perceptions exist and what problems or opportunities they might point to.

There are, however, a number of potential problems associated with using interviews to collect information. They can be time-consuming and costly, although group interviews less so than individual interviews.

Coding and interpreting responses can be a problem, especially when interviews are unstructured. Coding and interpretation can be simplified by adopting a more structured approach, asking all respondents the same set of predetermined questions and limiting the use of open-ended questions. However, the gains from adopting a more structured approach need to be balanced against the potential loss of rich data that can be gleaned from a more unstructured conversation, for example where the interviewer leads off with some general open-ended questions and then follows the respondent's chain of thought.

Bias is another problem that can arise from the way interviewers organize the order of topics to be covered and the way they formulate questions. Special care needs to be taken to avoid the use of leading questions that signal to the respondent that there is a desired response.

Questionnaires

Questionnaires are sometimes referred to as 'self-administered interviews'. They are designed to obtain information by asking organizational members (and others) a predetermined set of questions about their perceptions, judgements and feelings. Using questionnaires to collect diagnostic information can be more cost-effective than using interviews, because they can be administered simultaneously to large numbers of people without the need to employ expensive interviewers. Also, they can be designed around fixed response-type questions that ease the burden of analysis.

However, they do have a number of disadvantages. They are non-empathic. When using questionnaires to collect information, it can be difficult for change managers to build rapport and communicate empathy with respondents. This can have an adverse effect on respondents' motivation to give full and honest answers to the questions asked.

Questionnaires are also much less adaptive than interviews. The format of the questionnaire has to be decided in advance. Problems can arise because respondents fail to understand or misinterpret the meaning of questions. Important questions may also be omitted from the questionnaire – a difficult problem to resolve once the questionnaire has been administered.

Another problem is self-report bias. Questionnaires (like interviews) collect information from people who may, either deliberately or otherwise, bias their response. Responses to questions are based on respondents' perceptions of the situation. These perceptions may be based on incomplete or false information. There is also a tendency for respondents to present their own behaviour in the most positive light and protect their own interests. The design of the questionnaire can also bias responses. For example, people may fall into a pattern of answering co-located questions in a similar manner, or their attention may wander and they may take less care when answering questions towards the end of the questionnaire.

Projective methods

Projective methods such as drawings and collages can be a useful way of collecting information about issues that people may find difficult to express in other ways. Fordyce and Weil (1983) suggest that asking subgroups to prepare a collage around themes, such as 'How do you feel about this team?' or 'What is happening to the organization?', and present and explain it to the total group in a plenary session helps organizational members to express and explore issues at a fairly deep and personal level.

A similar procedure is to invite individuals to prepare and share drawings that show certain aspects of organizational life. For example, individuals might be asked to draw a circle for each member of their group, making the circles larger or smaller depending on the influence they have

over the way the group works. They may also be asked to elaborate their drawing by locating the circles for different members of the group in terms of how closely they need to work together to get the job done. A further elaboration might be to ask them to join the circles with blue lines where the people they represent have a personally close relationship and with red lines if they are far apart in terms of communication, rapport and empathy.

These kinds of approaches to surfacing information can be good icebreakers and can provide an easy route to the discussion of sensitive issues that are rarely discussed openly. However, while they may be well received by some groups, others may reject them as childish games.

Observations

Observing behaviour as it occurs is one approach to collecting information that avoids self-report bias. One of the key issues associated with this approach is deciding how the observation can be organized to focus attention on required behaviour and avoid being distracted or swamped by irrelevant information. When collecting information about behaviour in a group setting, for example, the degree of structure for observing and recording can vary from using broad categories such as leadership or communication to the use of detailed category sets such as the interaction process analysis framework developed by Bales (1950).

An advantage of this approach to information collection is that the observer may recognize patterns of behaviour that those being observed may be unaware of and are therefore unable to report in interviews or in their responses to questionnaires. Another advantage is that observations relate to current behaviour and are less likely than self-reports to be contaminated by historical factors. Observation is also an adaptive approach to collecting information. What is observed might cue the observer to explore connected aspects of current practice. Some of the disadvantages of this approach include problems associated with coding and interpretation, cost and possible observer bias.

Unobtrusive measures

In many organizational settings, large amounts of information are collected as a normal part of day-to-day operations, which relate to various aspects of organizational functioning, such as costs, downtime, wastage rates, absenteeism, labour turnover, delivery times, margins, complaints, number and type of meetings and so on. This kind of information is referred to as 'unobtrusive', because the fact that it is being collected for diagnosis is unlikely to prompt any specific response bias. It is also likely to be readily accepted by organizational members and, because of the nature of many of the records that contain this kind of information, it may be easy to quantify.

However, even when records are maintained, it may be difficult to access information in the required form. For example, information about individuals, such as the outcome of performance appraisals, increments awarded, absenteeism and sickness rates, may all be contained in each individual's personal record but may not be available in any aggregate form for all members of a particular department.

SAMPLING

Sometimes, for example when collecting information from members of a relatively small work group, it may be possible to include every member of the group in the survey. However, when a diagnostic exercise involves collecting information about a whole department, or the total organization, it may be necessary to consider ways of sampling people, activities and records in a way that will provide sufficient information to provide a representative picture of what is going on.

Important issues that need to be considered when drawing a sample relate to sample size, relative to the total population, and composition. For example, how many people should be interviewed, events observed or records inspected, and which individuals, events or records should be included in the

sample? The answer to the size or 'how many' question depends on the degree of confidence required in the findings and, if the information is to be subjected to statistical analysis, the type of analysis to be used. The answer to the composition or 'which' question depends on the complexity of the total population. If the total population is relatively homogeneous, the selection of members to be included in the sample might be done on a random basis, using random number tables, or by selecting every *n*th member of the total population. If, however, the total population contains different subgroups, it might be important to ensure that all of them are represented in the sample. This involves segregating the total population into a number of mutually exclusive subpopulations and drawing a sample from each. The composite sample that results from this process is referred to as a 'stratified sample'.

ANALYSIS

Once information has been collected, it needs to be analysed. For example, in response to a question such as 'How challenged do you feel in your present job?', only some of those surveyed might have offered a positive response. The change agent may want to know what proportion of the sample responded in this way compared to those who responded in the same way in other organizations, in order to be able to assess whether the lack of challenging work is a problem. It might also be useful to consider whether there is any relationship between those who do not feel challenged and the unit they work in or their level in the hierarchy. Analytical procedures organize information in ways that can provide answers to diagnostic questions.

Analytical techniques are often classified as 'qualitative' or 'quantitative'. Qualitative techniques are used to explain why people think and behave in certain ways, rather than to count the numbers of people who think or behave in certain ways. Quantitative techniques focus on pieces of information that can be counted and are best used to answer what, when and who, rather than why, questions.

Qualitative techniques

Qualitative techniques tend to be more concerned with meaning and underlying patterns than with scientific tests. Content analysis and force-field analysis are two examples of qualitative analytical techniques frequently used in organizational diagnostic exercises.

Content analysis

Content analysis attempts to summarize respondents' comments into meaningful categories. This involves identifying comments or answers that tend to recur most frequently and grouping them in ways that provide a set of mutually exclusive and exhaustive categories or themes. For example, in response to a question such as 'What do you like best about your work?', a number of responses might refer to working with friendly colleagues, considerate supervisors and having the opportunity to communicate with co-workers while doing the job. All these comments might be regarded as referring to a common theme, the 'social aspects' of the job. A different set of comments might refer to the degree of challenge offered by the work, the opportunity to be creative and the freedom to experiment with new methods. All these comments might be regarded as referring to different aspects of the 'nature of the work' itself. These two categories might then be used as a basis for analysing the content of all the information collected from respondents. When a set of categories is exhaustive, it is possible to allocate every response to a category, and when it is mutually exclusive, each item of information will fall into one particular category. After all responses have been classified, one way of determining the importance of the different categories is to identify those that have been referred to most often.

There are many examples of software tools that can be used for coding and analysing qualitative data and providing a relatively easy method of comparing the responses from different respondents to particular questions.

Force-field analysis

Force-field analysis, discussed in Chapter 2, also involves categorizing information. The distinctive feature of force-field analysis is that it involves organizing the categories into two broad types – those relating to forces or pressures for change and those relating to forces or pressures supporting the (problematic) status quo and resisting change.

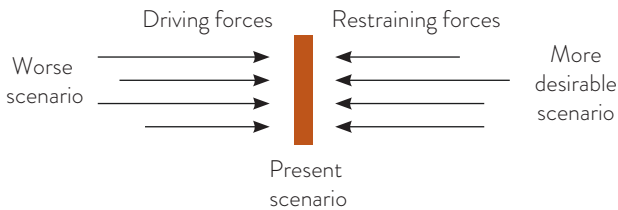


Figure 9.1 A force-field

Source: Inspired by ideas in Kurt Lewin, *Field Theory in Social Science*. Copyright 1951, Harper & Row.

It was noted in Chapter 2 that Lewin (1951) viewed the level of behaviour in any situation as the result of a force-field comprising a balance of the forces pushing for change (some different level of behaviour) and the forces resisting that change. Diagnosing situations in terms of driving and restraining forces can provide a useful basis for developing action plans to secure the desired change. For example, the level of behaviour can be changed towards a more desirable state by increasing the strength of forces for change (the driving forces) in

the desired direction or by diminishing the strength of restraining forces (Figure 9.1).

Change Tool 9.2, at the end of this chapter, provides a step-by-step approach you can use to apply force-field analysis to an opportunity development or problem management issue with which you might have to deal.

Quantitative techniques

Quantitative techniques focus on data that have numerical significance and involve counting and measuring to answer what, when and who type questions. Some of the basic techniques most frequently used by change agents when analysing quantitative information are means, standard deviations, correlation coefficients and difference tests. The mean is a measure that indicates the average response or behaviour. For example, over the past year, the eight employees in department X might have averaged five days' sick leave. The standard deviation indicates the extent to which there is high or low variation around this mean, for example six members of the department may have had no sick leave, whereas the other two may have had 20 days each. Correlation coefficients measure the strength of the relationship between variables, for example sick leave might be inversely related to job satisfaction. Difference tests indicate whether the scores achieved by one group, for example an average of five days' sick leave for members of department X, are significantly different from those achieved by members of other groups – different departments in the same organization or some benchmark score or industry norm. More details on these and other techniques can be found in any standard text on statistics.

INTERPRETATION

Conceptual models provide a basis for interpreting diagnostic information and identifying what needs to be changed to achieve a more desirable state of affairs.

Change managers using the 7S model (described in Chapter 8) can construct a 7S matrix (see Change Tool 8.1) that can be used to point to those areas where internal misalignment may be a problem.

The results of a staff survey at the BBC, which was designed around the Burke-Litwin causal model of organizational performance, indicated some priorities for change. The elements most in need of change were structure, leadership and factors affecting motivation, but there was also evidence that there was scope for improvement in many other areas. A brief summary of the results of this survey is presented in Figure 9.2.

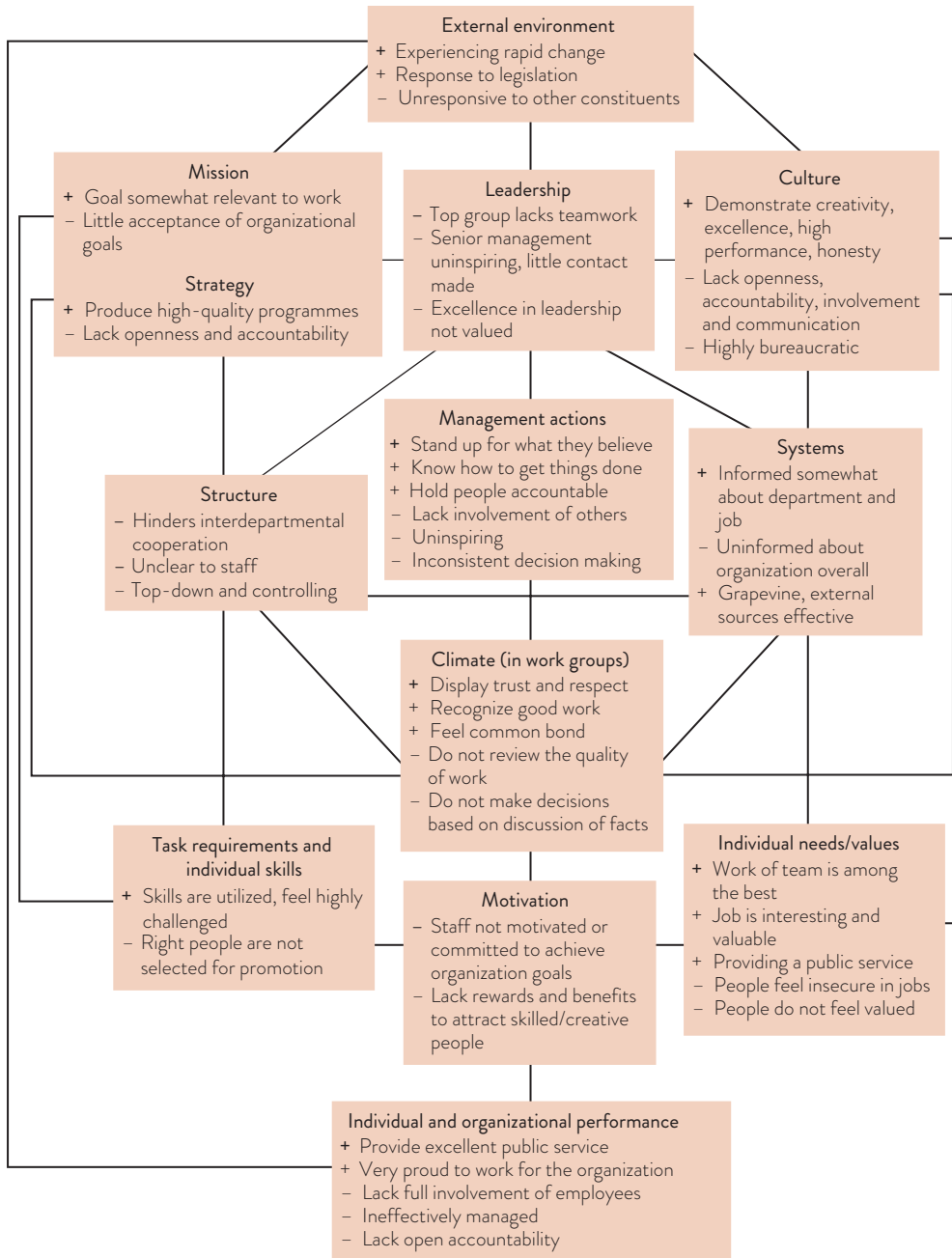


Figure 9.2 Results of the BBC staff survey

Change Tool 9.2, at the end of this chapter, provides another example of how diagnostic information can be used to identify what action needs to be taken to improve organizational performance.

POLITICAL CONSIDERATIONS

Collecting information is not an innocuous or benign activity, because people will have concerns about who will use the data and for what purpose, and how they will analyse and interpret them. Nadler (1977) argues that the collection and distribution of information can change the nature of

power relationships. Data collection can generate energy around the activities or behaviours that are being measured for a number of reasons. For example:

- It may result in information, which an individual or group has previously withheld in order to secure some political advantage, being widely distributed, thereby undermining their power and influence.
- It opens up the possibility of comparing the current performance of an individual or group with their own past performance, the performance of others, or some benchmark. These possibilities might be perceived as threatening, especially where there is a link between performance and rewards.

The energy generated by data collection can be directed towards assisting or undermining the change agent's attempt to diagnose the need for change. How the energy will be directed will be influenced by the perceptions people have about the possible future uses that may be made of the data. If, for example, employees expect the information collected in a diagnostic survey to be used in an open, non-threatening and helpful manner, they may be motivated to provide accurate information. If, on the other hand, they expect it to be used in a punitive manner, they may attempt to withhold or distort data. This point is illustrated in Example 9.1. Change managers need to be alert to the possibility that they will encounter resistance even at this early stage in the change process.

EXAMPLE 9.1 The effect of being observed

A group of employees in a US manufacturing company worked together to assemble a range of complicated large steel frameworks. Their method of working varied depending on whether or not they were being observed by anyone who might influence the rate they were paid for the job. The group had discovered that by tightening certain bolts first, the frames would be slightly sprung and all the other bolts would bind and be difficult to tighten. When they used this method, they gave the impression they were working hard all the time. When they were not being observed, they followed a different sequence of tightening bolts and the work was much easier and the job could be completed in less time (Porter et al., 1975).



Photo by Dakota Roos on Unsplash

USING DIAGNOSTIC INFORMATION TO DEVELOP ACTION PLANS

Planning will be discussed in more detail in Chapter 10, but this section demonstrates how diagnostic information can be used as a basis for formulating action plans. SWOT analysis and force-field analysis provide useful frameworks for using diagnostic information to identify what needs to be changed.

Anybody can do a SWOT analysis (Change Tool 9.1), but doing it with others can provide a richer picture of how the group or organization fits with its operating environment and the issues that need to be attended to in order to secure future performance.

CHANGE TOOL 9.1 Using a SWOT analysis

Strengths are the positive tangible and intangible attributes of the group, department or organization. Weaknesses are negative factors that can undermine the group, department or organization's ability to attain desired goals. The PRIMO-F framework (people, resources, innovation, marketing, operations, finance) offers a useful set of headings for reviewing strengths and weaknesses, but in some situations it might be more appropriate to adapt this framework to include particularly relevant factors such as scalability – the ability to rapidly expand or contract operations – or develop a bespoke framework more suited to the circumstances. It can also be useful to include a catch-all category such as 'other' to ensure that difficult-to-categorize factors are not ignored.

Opportunities are external factors that offer the possibility for benefit, and threats are the factors that can jeopardize existing ways of working, limit possibilities and derail future plans. The PEST (political, economic, sociocultural, technological) framework can provide a useful set of categories for exploring opportunities and threats. A simple 2 × 2 matrix can provide a basic framework for plotting the findings and identifying issues that require attention (Table 9.2).

Table 9.2 A simple SWOT template

Strengths	Weaknesses
1	1
2	2
3	3
4	4
Opportunities	Threats
1	1
2	2
3	3
4	4

A more detailed framework, which is presented on the book's companion website (bloomsbury.pub/hayes-change-management-6e), offers a more sophisticated template. It incorporates the PRIMO-F and PEST categories and provides the possibility of assessing the relative impact of each strength, weakness, opportunity and threat.

Once the strengths, weaknesses, opportunities and threats that need to be addressed have been identified, they can be transposed onto the template in Table 9.3. The final steps in the process involve exploring ways of developing and making best use of strengths and using them to exploit opportunities, and finding ways of reducing weaknesses and containing threats.

Table 9.3 Using SWOT to develop action plans

Internal factors			
Strengths	Ways to exploit	Weaknesses	Ways to reduce
1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
External factors			
Opportunities	Ways to exploit	Threats	Ways to reduce
1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5

The value of change tools such as the SWOT analysis is that they can help to ensure that those leading change do not adopt a blinkered approach and ignore key data. The danger of those at the top adopting a blinkered approach is illustrated by the rise and fall of the building society Northern Rock, as shown in Example 9.2. Northern Rock was an early casualty of the global financial crisis of 2007–08 and, after a run on the bank, had to be nationalized by the UK government.

EXAMPLE 9.2 Northern Rock

Northern Rock was seen by insiders, customers and many in the wider financial community as a successful financial services company offering mortgage products to the UK market and providing a portfolio of savings products.

Initially, like other traditional building societies, Northern Rock relied on its savings products to fund much of its lending but, over time, it started to source more and more of its funding through wholesale borrowing on capital markets, bonds and securitized loans. These new sources of funding provided a platform for expansion and the development of a new profitable business model that involved lending higher risk mortgage products (loans of more than 100 per cent of the property value) and making these loans available to a wider customer base, including some customers who, by traditional industry standards, would not have been judged as able to afford the repayments. While property values continued to increase, this business model was very successful and Northern Rock continued to expand. Customers were attracted by the more than 100 per cent mortgages because they provided surplus funds they could use to furnish their new properties or for some other purpose, such as the purchase of a new car.

Those in Northern Rock who were responsible for managing the agenda for change appeared to focus their attention on opportunities for generating profit and failed to pay much attention to conceivable threats. The potential for disruption posed by a number of threats was realized when, in 2007, the subprime crisis erupted in the USA and the capital markets stopped lending to any institutions, like Northern Rock, that were overexposed to the housing market.

Adopting a SWOT approach might have provided a diagnostic framework that would have helped those caught up in the (apparent) runaway success of Northern Rock to be alert to the potential threats posed by overexposure alongside the opportunities that appeared to dominate their thinking. Some signs of potential threats were there but they had little impact on the thinking of those leading the business. These included an increase in consumer debt and the possibility that this was affecting the Northern Rock customer demographic more than that of most other high-street lenders, associated concerns about affordability, and concerns about the future growth of property values.



Force-field analysis is another change tool that can be used as a stand-alone tool for diagnosis. It can also be used as a framework for analysing the findings from any diagnostic exercise to develop an action plan. Example 15.2 shows how a change agent used force-field analysis to help a manager become aware of restraining forces as well as driving forces. Change Tool 9.2 provides further guidance on how to develop practical goals to manage these driving and restraining forces and formulate an action plan.

CHANGE TOOL 9.2 A force-field approach to opportunity development or problem management

1. Think about a problem you have to manage, or an opportunity you could develop, and imagine a more desirable scenario you would like to reach. Use this as a basis for identifying a concrete goal you wish to achieve, and write it in the box on the right-hand side of the page. (If you are struggling to come up with an example from your own experience, you could look ahead to Example 21.1 and apply force-field analysis to find a way to improve knowledge sharing and best practice across a law firm.)
2. List the driving forces that are pushing towards the more desirable scenario in the left-hand column. In the right-hand column, list the restraining forces that are blocking the achievement of your goal.
3. Review your list of driving and restraining forces and highlight those that are powerful, in terms of either pushing for or resisting change, and manageable, that is, you anticipate you will be able to affect the power of the force.

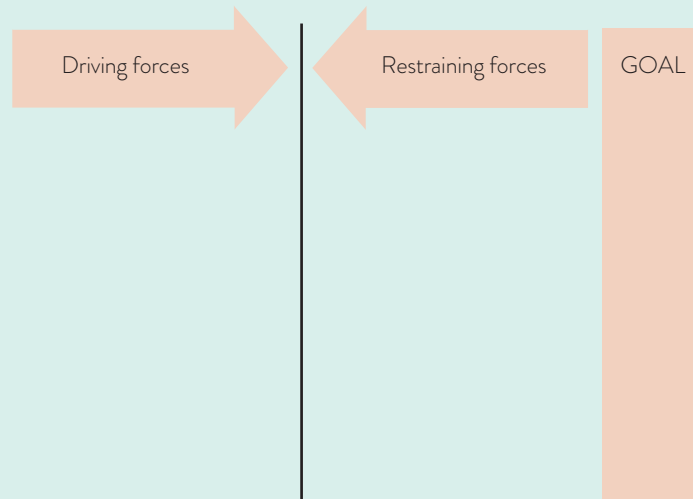


Figure 9.3 The force-field

Driving forces: List each of the driving forces you have highlighted as both powerful and manageable on a separate sheet. Brainstorm all the steps you could take to *increase* the effect of these important forces. Do not confine yourself to ‘sensible’ ideas. List everything that comes to mind. Do not evaluate any of these action steps until you have brainstormed action steps to reduce the effect of the restraining forces.

Restraining forces: Now do the same for the most important restraining forces, but this time brainstorm all the steps you could take to *reduce* the effect of each restraining force.

Now review all the action steps:

1. Eliminate those action steps that are totally impractical, but only after you are sure they cannot be ‘twisted’ or ‘adapted’ to provide a useful contribution.
2. Identify the ‘best of the rest’. Consider whether some action steps can contribute to the strengthening of more than one driving force or the erosion of more than one restraining force. An alternative approach to distilling out the most useful action steps is to group similar actions together and identify those from each group that seem most practical.
3. Finally, list those action steps that deserve serious consideration.

The final step involves re-evaluating the action steps from a cost–benefit perspective. The plan has to be practical and some of the proposed action steps might be too expensive in terms of time or other resources. It may be necessary to amend the plan at this stage in order to improve its viability. However, it may also be necessary to include new elements to mould individual action steps into an integrated plan. Give some thought to timescale and the milestones against which progress can be assessed. Milestones are important because they provide early warning if the plan is not working and signal the need for renewed effort or the implementation of contingency plans.

You might find it useful to reflect on the content of this and Chapter 8 and review your (and others’) use of diagnostic information (Exercise 9.1).

✓ EXERCISE 9.1 Evaluating your use of diagnostic information

Think about a recent occasion when you (or somebody working close to you) have attempted to introduce and manage a change. The change could have been in your work organization or elsewhere, such as your university social club. Now:

1. Reflect on the extent to which this change initiative was based on an accurate diagnosis of the need for change.
2. Consider to what extent this was related to:
 - the appropriateness of the (implicit or explicit) diagnostic model used
 - the nature of the information collected
 - the way in which it was interpreted.
3. Reflect on the steps you or others might take to help improve the quality of the way the need for change is diagnosed in your unit, department or elsewhere.

SUMMARY

This chapter examines the process of gathering and interpreting information for the purpose of diagnosis.

Conceptual models play a key role in the diagnostic process because they help us decide which aspects of organizational behaviour require attention. They also provide a basis for interpreting the information that has been collected. A key step, therefore, is the selection of an appropriate conceptual model for diagnosis.

Once a diagnostic model has been selected, the change manager can identify the information that will be required. Ways of collecting these data are reviewed, along with ways of sampling people, activities and records.

Attention is given to analysis and qualitative and quantitative analytical techniques. Attention is also given to issues that need to be considered when interpreting data.

✓ EXERCISE 9.2 Reflect on what you have learned from working on the two chapters in Part III

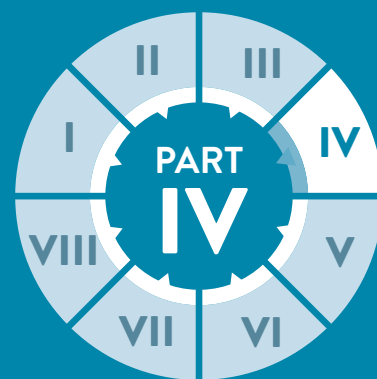
Based on what you have read and learned from the various exercises in Part III, identify a short list of questions that could help you and others to assess how well those issues that need to be managed when 'diagnosing what needs to be changed' are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part III at the end of the Introduction to Part III. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

Visit bloomsbury.pub/hayes-change-management-6e for further learning resources.

PLANNING AND PREPARING FOR CHANGE

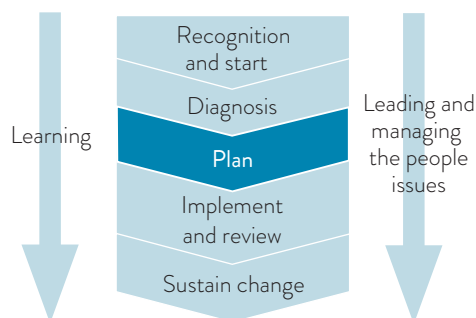


INTRODUCTION TO PART IV

The five chapters in Part IV take a closer look at planning and preparing for change. Before reading these five chapters, you might find it useful to work on the two case studies presented at the end of this introduction and develop a plan that could deliver the required change. After reading Chapters 10–14, review your approach and consider whether a different intervention might have been more effective.

Chapter 10 Shaping implementation strategies

Chapter 10 considers the big picture, shaping the change strategy that will provide the backcloth for more detailed planning. It opens with an overview of how change strategies have changed over time, moves on to review the strengths and weakness of three widely used strategies, and considers some of the situational variables that need to be considered when shaping a change strategy. The final part of the chapter draws together these ideas and presents a contingency model that leaders can use to identify the most effective strategy for implementing change.



Chapter 11 Developing a change plan

Attention then turns to the development of a more detailed plan, consistent with the overall change strategy, that will facilitate moving from the pre-change to the post-change state. Chapter 11 considers some of the issues that those leading the change need to take into account when developing their plan.

Chapter 12 Types of interventions based on who does what

Change efforts are sometimes less successful than they might be because those responsible for developing the change plan select inappropriate interventions that fail to deliver the intended outcome. Chapter 12 presents interventions classified according to who does what.

Chapter 13 Types of intervention classified according to focal issues

Chapter 13 considers interventions from the perspective of the problems they are designed to address.

Chapter 14 Selecting interventions

Chapter 14 examines the factors that need to be considered when selecting which type of intervention to use.

✓ EXERCISE PART IV Useful questions for reviewing your approach to planning and preparing for change

In Chapter 2, after discussing each stage in the process model of change management, your attention was drawn to a number of questions that might help you assess how well a change is being (or was) managed. All these questions are summarized in [Figure 2.3](#) and the questions relating to planning and preparing for change are listed below:

- Is the change strategy appropriate, for example push or pull?
- Is it clear what needs to be done?
- Is sufficient thought being given to the longer term implications of decisions?
- Is sufficient attention being given to anticipating how people may react to the change?
- Is it clear what kind of intervention(s) would be most effective?

Reflect on and review these questions and, after reading the five chapters in Part IV, revise this list and generate your own set of useful questions that you might find it helpful to refer to when you are leading a change.

CASE STUDIES: Selecting and designing interventions

Before reading Chapters 10–14, you are invited to work on the following two case studies. Imagine that you are a consultant and have been invited to design an intervention to address the issues raised in each case:

- Case Study IV.1 involves improving the effectiveness of primary healthcare centres in southwest India.
- Case Study IV.2 involves reducing absenteeism in the elderly care sector of Silkeborg Council in Denmark.

After reading Chapters 10–14, you might find it useful to review your approach to designing an intervention for each of the following cases.

CASE STUDY IV.1 Designing an intervention to improve the effectiveness of primary healthcare centres in southwest India

A senior health official in an Indian state government has approached you for advice. The state has a rapidly growing population and a high demand for primary healthcare, but a tight budget, which means that every effort has to be made to improve the effectiveness of the existing provision. There will only be limited resources to cope with the growing demand for primary healthcare services. The existing provision is good when benchmarked against World Health Organization standards and exceptionally good when compared with countries at a similar stage of development and with most other states within India.

There are about 500 primary healthcare centres spread across the state, many in isolated rural areas. Their role is to offer medical care, mother and child welfare, family planning, improvements in environmental sanitation, control of communicable disease, health education and school health. In addition, they are required to collect statistics and provide a referral service. Each centre is managed by a chief medical officer and has approximately 60 staff. Typically, there is a main facility that accommodates clinics, operating theatres for minor surgery, three wards for short-stay patients and a pharmacy. Various outreach services may also be located at satellite sites in the community served by a centre.

Until now, attempts to improve the effectiveness of primary healthcare provision have been limited to sending chief medical officers and other doctors who have been identified as candidates for promotion on a lengthy training programme at the state's Institute for Management in Government. The senior health official who has approached you for advice believes that there has been relatively little transfer of learning back into the primary healthcare centres and the heavy investment in training has had little effect on performance.

1. Design an intervention that will improve the capability of the staff working in the health centres in order to improve the effectiveness of the services they provide.
2. Identify issues that might affect the success of your proposed intervention and explain how you would address these issues.

CASE STUDY IV.2 Designing an intervention to reduce absenteeism in the elderly care sector of Silkeborg Council, Denmark

An area manager responsible for the care of the elderly in Silkeborg has approached you for advice. Absenteeism is a problem for all departments of Silkeborg Council. The average number of working days lost over the first six months of the year was 9.25 – an annual rate of just under 20 days per employee. One of the departments in which absenteeism is especially high is elderly care.

Over a period of several years, the council had taken a variety of initiatives to reduce absenteeism. In the area of elderly care, these have included:

- analysing the reasons for lost time
- introducing a ‘stop-lift’ policy to improve practices in moving and handling in order to reduce lost time caused by back injuries
- helping group leaders develop their supervisory skills
- educating the management team in the area of supervision and leadership
- helping the management team and care staff to work together to develop an absenteeism policy.

An important element of the new absenteeism policy is that illness should be regarded as a common concern for both employer and employee rather than a private issue for the employee alone. If people are off sick frequently, or for a prolonged period of time, their managers should engage in a dialogue with them about work, health and satisfaction in order to explore ways of improving the situation for individuals and the department. These various initiatives have produced short-term improvements but little long-term change.

- 1. Design an intervention that will help the elderly care department provide a better service for patients and the wider community by ensuring that the 250 frontline staff working in 10 residential facilities are present more of the time and making a full contribution to the department’s work.**
- 2. Identify issues that might affect the success of your proposed intervention and explain how you would address them.**

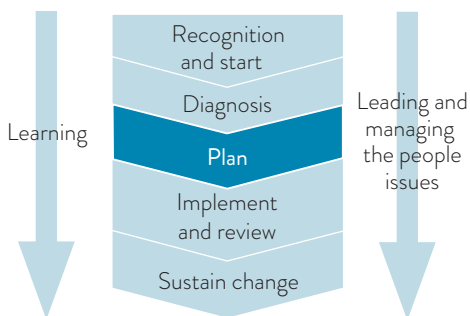


SHAPING IMPLEMENTATION STRATEGIES

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Explain how and why preferred change strategies have changed over the past 100 years.
2. Compare and contrast economic and organization development strategies.
3. Critically assess Beer's assertion that a combined economic and organization development approach will be the most effective strategy in the majority of circumstances.
4. Identify the situational variables that need to be taken into account when shaping a change strategy.
5. Evaluate the usefulness of Hayes' contingency model for identifying the kind of change strategy that will be most effective in particular situations.
6. Justify why a dictatorial transformation strategy might not be the most effective way of managing an organization's response to big-bang disruptions.



Sometimes, those leading change give insufficient attention to developing a change strategy that will be fit for purpose. If they have a successful record of leading change, they may assume that what worked in the past will work again in the current situation. This might not be the case.

This chapter begins with a historical overview of change strategies and the values and assumptions that underpin them. After exploring the strengths and weaknesses of three frequently used approaches to managing change and considering ways of improving organizational resilience, some of the situational variables that need to be considered when shaping a change strategy are reviewed. The final part of the chapter draws together these ideas and presents a contingency model

that leaders can use to identify the most effective way of implementing change.

Before reading on, look at Case Study 10.1, which involves improving the performance of a new business school in a Dutch university, and think about how you would have managed the situation if you had been the newly appointed dean. Make a note of the essential features of your proposed change strategy. After you have read this chapter, revisit your proposed strategy for managing change in the business school and consider whether, in the light of the ideas presented, it would have been as effective as it could have been.

CASE STUDY 10.1 Improving the performance of a new business school in a Dutch university

Three years ago, a Dutch university merged three academic departments (economics, accounting and finance, and management studies) to create a business school. The merger was the outcome of a university-wide restructuring exercise undertaken as part of a drive to improve the financial position and overall prestige of the university.

When the business school was established, it had a small financial deficit, but this has gradually increased over the past three years. The overall annual deficit is now equivalent to the cost of employing four full-time academics. The economics department is responsible for most (80 per cent) of this shortfall. The finance and accounting department also has a deficit, approximately 20 per cent of the total. Management studies generates a surplus, but this is insufficient to cover the deficits produced by the other two departments.

Following the retirement of the first dean (who was formerly head of the economics department), a new dean was appointed from outside. The chair of the appointing committee provided the new dean with a potted history of the business school and indicated that the university expected them to look for ways of eliminating the deficit and improving the school's research performance and international reputation.

The management style of the previous dean had involved relating with the three departmental heads on a one-to-one basis. There were no business school-wide committees apart from the learning and teaching committee, which had been set up to coordinate the school's response to a university review of teaching quality and student support. The review was completed six months ago and the business school was rated below average.

The three departments within the business school are very different.



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Economics

The chair of the appointing committee told the new dean that the ten members of the economics department have an unrealistically high opinion of themselves. Many years ago, the department had been widely regarded as one of the best in the Netherlands. However, over the past 10 years, many of the distinguished scholars who had helped to build this reputation have retired or moved on. Six of the long-serving members who have stayed (average age 58) are not as productive as they used to be. Only two members of staff have retained an international reputation in their field. However, based on past performance, a high proportion of the staff have been promoted to senior grades and are some of the most highly paid in the university.

Teaching

Members of the department share a strong commitment to small group teaching and the provision of a wide range of module choices on the economics degree programme. The staff–student ratio is 1:9. However, despite this commitment to teaching, they did little to prepare for the university's review of teaching quality and student support. They felt that the university's approach to quality assurance was too bureaucratic and they preferred to rely on their long-established informal practices for managing teaching and student affairs. Their failure to manage quality assurance through formal structures and documented procedures contributed to the business school's poor overall score in the university's review of teaching quality and student support. Staff in the other two departments feel let down by staff in the economics department. In addition to the undergraduate degree programme, the department offers a taught Master's degree in econometrics. Numbers enrolled have fallen from an annual intake of 26 five years ago to 9 last year and only 8 in the current session.

Research

Three of the older members of staff have failed to publish anything in the past four years. Five others claim to be research active but, on the basis of their recent performance, are not highly regarded by other economists. The remaining two have a strong record of publishing in top-rank international journals.

Accounting and finance

The accounting and finance department grew from 9 to 12 academic staff over the five years leading up to the merger and has grown by another two posts since then. Morale is high and colleagues within the department relate well with each other, but they have relatively little contact with staff in other parts of the business school.

Teaching

Teaching is regarded as important but not as important as research. While the head of department is committed to ensuring that students have a good learning experience, he is careful to ensure that colleagues guard their time for research. The staff–student ratio is 1:15.

Research

The accounting and finance department has a strong research culture. There is a well-developed research mentoring system and there is a departmental research meeting three times a year where all staff share and discuss their current research and their plans for future work. Eight of the 14 members of staff have international reputations in their field. A further three are performing to a high standard and at least one of these may soon have published sufficient papers in top-ranked international journals to be identified as a scholar of international standing. Two of the remaining three members of staff are recent appointees who have just completed their doctoral studies. They are recognized as having research potential but they have yet to prove themselves. Their head of department is encouraging them to aim high and publish the results of their doctoral research in top-ranked journals, rather than seek early publication in less prestigious outlets.

Management studies

Management studies is the largest of the three departments and includes three subdivisions: marketing, organization behaviour and operations management. Over the past three years, the number of academic staff has increased from 15 to 17. However, student numbers have also grown from 265 to 318 on the undergraduate degree programme and from 0 to 37 on the Master's programme, following its launch three years ago. The staff–student ratio is 1:21. In terms of morale, the situation is complex. Staff feel that the department has been successful and they get a certain 'buzz' from their achievements, but they also feel that they are being exploited by the rest of the business school and that much of the income they generate is being used to fund new appointments in accounting and finance and help manage the deficit generated by the economics department.

Teaching

The department offers undergraduate and postgraduate programmes that attract large numbers of well-qualified applicants. The teaching quality is excellent.

Research

Seven of the 17 members of the department have international reputations as leading scholars in their field. The head of the department argues that this could be increased to 9 or 10 if her staff had more time for research. Some members of staff are competent and motivated researchers but, because of the time they have to devote to teaching, they have insufficient time to write up and publish all of their work. She also argues that given sufficient support, including study leave, at least three of the remaining seven have the potential to develop strong research profiles. The remaining four are not active researchers but they are excellent teachers and run courses that make a major contribution to the department's income. Management studies has a potential retention problem. Two of the department's best researchers have been approached with offers of promotion from other institutions. Both would be difficult to replace because there is a shortage of people qualified to teach in their subject areas.

Other considerations

The new dean has observed that:

1. Compared with elsewhere, the three departments in the business school do not seem to have been innovative when it comes to developing a cost-effective approach to providing high-quality learning experiences for students.

2. Academics still do a lot of the administration associated with admissions, examining, timetabling and other aspects of teaching administration that could be undertaken by appropriately qualified support staff. However, the new dean has some reservations about whether the existing support staff have the competence or motivation required to undertake this work.
3. Even though the business school was established three years ago, there is little integration across the three departments. For example, they each retain a departmental office and look after their own admissions and course administration.
4. Although each department offers separate undergraduate degree programmes, there is a potential market for an integrated business studies programme that combines some courses in economics with inputs from the other two departments. However, the new dean feels that this proposal will encounter strong resistance.

If you were the new dean faced with the need to eliminate the deficit and improve the school's research performance and international reputation, what would be your strategy for change?

HISTORICAL OVERVIEW OF CHANGE STRATEGIES

In the first half of the twentieth century, the dominant change strategy was a Tayloristic, top-down search for efficiencies, which involved experts, such as experienced managers and methods engineers, applying their working knowledge and scientific principles to analyse problems and identify solutions that they then implemented/imposed with little, if any, consultation. The main focus of their expert attention was technostructural problems, and the changes they implemented ranged from new work methods and job redesign to organization-wide production systems.

In the late 1930s and 1940s, a series of studies on autocratic and democratic leadership produced findings suggesting that participation and involvement led to improved outcomes, which stimulated the development of a new approach to managing change, known as 'organization development' (OD), based on these values. Burnes and Cooke (2012) report that proponents of OD saw bureaucracy and autocratic top-down management as 'choking the life out of organizations,' and believed that the solution was a more bottom-up participative approach. In the 1960s, sensitivity training, sometimes referred to as 'T-groups,' was widely used to improve managers' self-awareness and develop their interpersonal skills so that they would be better able to work effectively with others to solve problems. This early strand of OD quickly gave way to using action research (see Chapter 12) and other forms of participative management to secure change.

Several writers (for example Lewin, 1947; French and Bell, 1990; Bargal et al., 1992; Coghlan, 2011; Boje et al., 2011; Burnes and Cooke, 2012) have identified some of the important values and assumptions that underpin OD:

- Situations are unique and those trying to bring about change need to understand this, in order to decipher what is going on and decide what needs to be done.
- Change works best when it is a collaborative process that allows those involved to engage in discussion, debate and experimentation.
- Organizational renewal is supported by collective learning and joint problem solving.
- Organizational members support what they have helped to create.
- Change is most effective when it takes place at the level of the group.
- Change will only be sustained when the individuals and groups involved change their behaviour.
- Developing the competences that enable group members to identify and solve future problems is as important as finding the solution to the immediate problem.

Guided by the assumptions that change works best when it involves participation and takes place at the group level, most early OD interventions were small scale and localized but, as time passed, more large-scale OD change initiatives, such as total quality management (TQM), began to emerge.

Burnes (2009) attributes this shift to the recognition that divisional and company-wide structures and large-scale production and process technologies often hindered the success of more localized change initiatives. So, while human processes still held central stage, the focus began to shift from group learning to organization learning.

In the last quarter of the twentieth century, the relatively stable economic environment following the end of the Second World War began to be disrupted by a series of factors, such as hikes in oil and other commodity prices, the development of new technologies, and the growth of low-cost competitors based in emerging economies. These disruptions placed new demands on organizations to adjust quickly to changes in the external environment. This shifted the need away from localized, relatively slow, incremental change strategies to organization-wide transformational strategies. Survival emerged as an imperative. Burnes and Cooke (2012) cite French and Bell's (1990, p. 351) description of how this shift affected the values of those leading change: top managers now focus less on people-oriented values and more on 'the bottom line and/or the price of stock ... [consequently] some executives have a "slash and burn" mentality'.

Nevertheless, although organization-wide, top-down change strategies became more important again, some organizations continued to favour small-scale incremental change, especially, but not exclusively, when the requirement was for localized change. While some commentators had forecast the demise of OD, Burnes and Cooke (2012) suggest that it is enjoying a renaissance. A new generation of scholars have re-evaluated the work of Kurt Lewin and recognized the importance of human processes, while others are giving attention to different theoretical perspectives, such as social constructionism, which looks at the socially created nature of reality, and complexity theories, which consider how order, structure and pattern arise from extremely complicated, apparently chaotic systems. These developments are encouraging practitioners to develop new approaches to OD, such as appreciative inquiry (see Chapter 13), which focus on dialogue between individuals, groups and other constituencies and address issues at the subsystem level and the whole system.

THREE APPROACHES TO MANAGING CHANGE

Beer (2001), a leading US consultant and professor at Harvard Business School, researched the change strategies used by companies and identified two well-trying approaches – economic, and organization development – but argued that the most effective strategy is a third way that combines the best of both.

Economic strategies

Economic strategies focus on the drive for economic value through tough, top-down, results-driven action. These actions involve the imposition of technical solutions to those problems that are seen to undermine organizational effectiveness. There are a wide range of such solutions, including restructuring, re-engineering, drives for efficiencies and layoffs. Often, large groups of consultants are employed to help top management drive the changes in the organization. Sometimes, a new CEO or other senior executive might be appointed to act as a 'turnaround' manager.

There are many examples where economic strategies have led to improved shareholder returns. Many believe that they made a major contribution to the success of those venture capitalists who purchase underperforming assets and turn them around, taking whatever measures necessary to reform the business, including mass redundancies. However, economic strategies have been criticized on the grounds that they often destroy human commitment. Consequently, while they might deliver short-term results, they may not guarantee longer term success.

Organization development strategies

Organization development (OD) strategies focus on creating the capabilities required to sustain competitive advantage and high performance. Beer and others identify some of these capabilities as:

- coordination and teamwork
- commitment and trust
- competence – both technical and leadership
- open communications
- creativity
- the capacity for constructive conflict
- learning.

OD strategies emphasize the importance of shared purpose, a strong culture, bottom-up change and involvement rather than financial incentives as the motivator for change. This approach can improve shareholder value but it has been criticized on the grounds that it is too indirect and takes too long, especially when the need for change is urgent.

The BBC offers a good example of the implementation of both economic and OD strategies. When John Birt was in charge, the dominant strategy was economic (see Case Study 3.2 on the book's companion website). When Greg Dyke succeeded John Birt, he inherited an efficient organization but detected a climate of fear and was worried about whether this increased efficiency had been won at the expense of other factors that would begin to have a negative impact on the BBC's performance. Example 10.1 describes what he did next.

EXAMPLE 10.1 The implementation of an OD strategy at the BBC

Efficiency was still on Greg Dyke's agenda but he pursued it via a more inclusive approach. He also began to pursue a bottom-up strategy to identify what inspired people and to develop the capabilities required to ensure that the BBC retained its position as the world's leading public broadcaster. He introduced a new vision. Instead of trying to make the BBC the best managed organization in the public sector, his vision was to turn the BBC into the most creative organization in the world, where people enjoy their work and feel supported and powered to excel.

He launched the 'One BBC – Making it Happen' initiative. While he had some ideas about how to make it happen, he wanted the detailed plans to emerge from within the organization. The aims of Making it Happen were to:

- put audiences at the heart of the BBC
- inspire creativity
- develop current leaders and nurture those of the future
- provide an environment where people feel valued and encouraged to give their best
- cut through the bureaucracy and build greater collaboration between divisions.

Dyke decided that he and the executive team would take every opportunity to demonstrate their commitment to the process. For example, they brought together the top 400 managers for two days to create a collective sense of responsibility for leading change. Dyke also led many discussions with other members of staff and introduced the notion of the 'big conversation'. He was determined to consult with a critical mass of employees.

In order to promote buy-in and ownership, this process was managed by in-house staff rather than external consultants. The first phase involved a search for 'quick wins'. These included modest changes such as refurbishments and reward schemes that recognized people when they made a special contribution. The second phase involved 10,000 staff, a third of



Photo by Joshua Hanson on Unsplash

the entire workforce, participating in 180 half-day workshops. Local managers and their staff were invited to 'Just Imagine' what the organization could be like and to identify what needed to be changed in order to make it happen. In each of the BBC's 17 divisions, Make it Happen teams were established to coordinate the Just Imagine sessions and introduce change at the local level. For example, in the news division, various measures were introduced to improve the working climate and encourage staff to take risks and perform to a high standard. The change plan also included a number of simple, inexpensive measures designed to address other issues that emerged from the Just Imagine sessions, including 'back to the floor' days for managers and short secondments to enable staff to better understand what was happening in other departments.

In addition to what was happening within divisions, organization-wide initiatives emerged from the Making it Happen process. These included providing a more thorough induction to all new staff, a shift away from the extensive use of short-term contracts in an attempt to build more commitment, and a big investment in leadership and management training.

The third way: a combined economic/OD strategy

Beer (2001) asserts that while both economic and OD strategies can produce improvements, neither is as effective as one that combines top-down, results-driven change with the slower, bottom-up development of organizational capability. With the benefit of hindsight, it could be argued that change at the BBC was successful because it did embrace Beer's combined strategy – but implemented sequentially rather than simultaneously. However, change at the BBC was not planned as a combined strategy. This emerged because Dyke recognized a need to address issues that had not been addressed by his predecessor. The real challenge for those leading change is to implement a combined strategy simultaneously.

Beer (2001) argues that change strategies that are capable of delivering sustained high performance require:

1. *The development of a compelling and balanced business and organization development direction:* This requires the CEO to lead change at the top and create an effective executive team that can speak with one voice and articulate a coherent story about why and what type of change is needed. This story is more likely to win the support of key stakeholders when it not only provides an explanation of why the change is necessary, but also offers an inspiring vision of a preferred future, which includes a business direction that will lead to the achievement of key results and an overview of the organizational capabilities required to achieve and sustain this vision.
2. *The management of key stakeholders in order to buy time to develop organizational capability:* Often, but not always, this will involve managing shareholder expectations. Making overambitious commitments to shareholders about the achievement of economic results can push change managers into short-term, cost-cutting strategies rather than longer term strategies designed to create the capability required to generate revenue, or achieve other outcomes required to sustain organizational success.
3. *The adoption of a sociotechnical approach that involves the development of down-the-line managers:* When tightly prescribed change programmes are rolled out across the organization, they typically focus on improving the technical system, and the interaction between the technical and social system tends to be ignored. Problems can arise when this type of programmatic change strategy fails to:
 - respond to local conditions
 - adequately involve local managers in a way that enables them to take real responsibility for moving the organization forward
 - provide local managers with the opportunity to reflect on and learn from their experience of managing change.

Beer advocates the management of corporate change on a unit-by-unit basis with a high involvement of local staff because this:

- enables organizational members to engage with senior managers and contribute to shaping the change process
- facilitates the development of down-the-line leaders.

TOP MANAGEMENT'S RELUCTANCE TO ADOPT A COMBINED APPROACH

Beer's (2001) research suggests that CEOs and their top teams tend to have a mindset that promotes a top-down drive for results. The next sections discuss three key aspects of this mindset.

The importance given to shareholder interests

Shareholders have gained considerable power relative to employees, and even customers. Low share prices lead analysts, the financial community at large and board members to press CEOs for change. Those who do not respond risk being fired. Consequently, the top team is focused on the need to maximize economic value. Guerrera (2009) reports that former GE chief Jack Welch, widely recognized as the father of the shareholder value movement, now challenges this approach. He claims that it is a 'dumb idea' for analysts and executives to focus so heavily on quarterly profits and share price gains, and that more attention should be given to increasing a company's long-term value. Shareholder value should be regarded as a result, not a strategy. Guerrera goes on to argue that more attention needs to be given to employees, customers and products. Nonetheless, many executives still appear to give high priority to achieving short-term improvement in shareholder value.

The assumption that the organization's technical rather than social system is the prime determinant of performance

Change strategies are designed to improve the organization as a technical system, and interventions such as business process re-engineering, TQM and performance management tend to be viewed as technical solutions. Beer (2001) extends this argument to include the introduction of new human resource management systems such as performance appraisal, succession planning and training programmes. They are implemented without too much thought being given to how they might affect roles, responsibilities, relationships and the power, status, self-esteem and security of individuals and groups across the organization. This neglect can erode trust, commitment and communication.

The assumption that there is little to be gained from dialogue with employees

When top teams are planning and implementing transformational change, they often overrely on top-down communication. Beer (2001, p. 238) notes how the thoughts and feelings of the CEO and the top team can be shaped by pursuing a 'drive' strategy:

To avoid the dissonance aroused by the opposites of tough, top-down action to lay off employees and sell businesses on the one hand, and the need to gain commitment to change on the other, they distance themselves from employees. They begin to assume that employees are part of the problem.

MANAGING CHANGE IN PRACTICE 10.1 Steve Gorton: Soft skills for hard results

Steve Gorton is the owner/director of Enabling Development and his work on leadership, people development and organizational transformation is based on 20 years' experience in the pharmaceutical industry. He works with a number of leading business schools and was a director and trustee of AMBA, the Association of MBAs.

Steve argues that those managers who are too focused on a top-down approach will be less successful than those who do everything they can to win the hearts and minds of all those involved in or affected by the change. Visit the book's companion website at bloomsbury.pub/hayes-change-management-6e and watch him talking about this in detail.

Before you watch the video, consider the following questions:

1. **Do top managers give sufficient attention to how attitudes and beliefs, their own and those of other stakeholders, can affect the outcome of a change?**
2. **What can leaders do to ensure that change efforts will be successful?**

After watching the video, consider whether you think Steve Gorton has identified the most important factors that can affect the success of a change.

Ford and Ford (2009, p. 100) argue that rather than regarding questions and complaints as resistance, change managers might benefit from viewing this 'feedback' as a resource: 'Even difficult people can provide valuable input when you treat their communications with respect and are willing to reconsider some aspects of the change you're initiating.' Morrison and Milliken (2000) suggest that senior managers are more likely to discourage upward communication when they believe that employees are self-interested and effort averse and are therefore unlikely to know or care about what is best for the organization. This kind of thinking can lead to a situation where top managers are deprived of vital information that can signal a need for further change or provide feedback about the effectiveness of change initiatives that have already been implemented (see Chapter 21). It can also lead to a situation where the top team begins to rely on outside consultants and new managerial hires. Beer (2001) notes that when this happens, it can further alienate people down the line, leading to an erosion of trust and the capabilities required for high performance such as coordination, commitment, communication and learning.

ADOPTING A COMBINED STRATEGY FOR BUILDING ORGANIZATIONAL RESILIENCE

Following a series of pervasive big-bang disruptions, including the Great East Japan earthquake that triggered a tsunami, a nuclear disaster and power shortages in 2011, and the COVID-19 pandemic in 2020, organizations are giving greater attention to ways of responding to such emergencies. The traditional approach has involved the development of emergency plans based on an assessment of known risks (see the discussion of planning for predictable surprises in Chapter 11), but it is not always possible to identify what the risks might be or to collect the information required to develop robust plans for managing the emergency. This has persuaded many leaders to go beyond trying to identify and mitigate risks to exploring ways of making their organizations more resilient.

Mitchell (2013) likens resilience to a bamboo that bends under the weight of winter snow but stands tall again in the spring. It is a broad concept. It can refer to coping strategies that help an organization rebound from unexpected adverse situations, like the bamboo standing tall again, or it can refer to the ability to leverage resources and capabilities in ways that not only resolve the current dilemma but also identify and exploit opportunities and build a successful future (Lengnick-Hall et al., 2011). Viewed from either of these perspectives, there is ample evidence that some organizations are more resilient than others.

Developing resilience involves a combined approach that involves attending to both the technical and structural factors that underpin economic change strategies, and the capabilities and

culture that are the core of the OD approach to change management. Organization structures, both formal and informal, can determine whether the capabilities and capacities of individuals will be available and accessible for creating and implementing adaptive responses. Van der Vegt et al. (2015) note that case studies of organizational resilience suggest that highly bureaucratic command-and-control-style structures impede creativity and adaptive behaviours and are less effective than more decentralized decision-making structures.

Asano's (2012) account of the Great East Japan earthquake highlights the importance of formal organizational structures and systems and interorganizational relationships. For example, firms in the automotive sector that suffered the most severe production losses were those that had no alternative production facilities, operated just-in-time supply systems (which meant that they held very low inventories), had deep and complex supply chains, and had a high degree of dependence on suppliers. Firms were most vulnerable when they were dependent on a single supplier for vital parts. Schreffler (2012) provides some interesting accounts of how the nature of supply chains affected recovery.

Informal networks are important because they act as conduits through which collectively held resources can be mobilized (Knocke and Yang, 2008). When these relationships are reinforced by reciprocity and trust, they can facilitate the exchange of high-quality information, joint problem solving, and faster access to replacement or supplementary supplies. Stevenson et al. (2014), after studying the recovery following the 2010 Canterbury earthquake in New Zealand, also report that informal networks can provide important emotional as well as instrumental support.

Van der Vegt et al. (2015) assert that employees are an organization's most critical source of capacity for organizational resilience. Some of their key capabilities are situational awareness, constructive sense making (Weick, 1995; McManus et al., 2008), efficacious beliefs about the ability to cope with difficulties (Carmeli et al., 2013), and the ability to balance the contradictory forces of confidence and expertise against scepticism, caution and a search for new information (Weick, 1993). Useful practical habits include investigating rather than assuming, collaborating rather than antagonizing, and flexibility rather than rigidity (Lengnick-Hall et al., 2011).

In the past, developing resilience was undervalued in many organizations and those championing the cause were often unappreciated (Branicki et al., 2019), but more recently, and especially following the COVID-19 pandemic, there are signs that this is changing. Ways of building resilience are considered in Chapter 13.

SITUATIONAL VARIABLES THAT CAN SHAPE AN IMPLEMENTATION STRATEGY

There is no simple formula for designing implementation strategies based on Beer's 'third way'. After studying the merger of the Swedish pharmaceutical company Astra AB with the British company Zeneca, Eriksson and Sundgren (2005) concluded that while there are benefits from combining economic and OD theories, the ideal balance between the two may vary from case to case. Kotter and Schlesinger (1979) argue that successful change strategies are those that are internally consistent and compatible with key situational variables. In practice, many managers vary their approach to managing change at different stages of the change process. For example, some may decide not to involve others in the preliminary diagnostic phase, but might draw more people into the latter stages of problem definition and the specification of a more desirable future state. They may then move on to involve many more in the details of implementing the change plan. Factors that might lead to a variation in approach over time will receive more attention below.

Some of the main situational variables that have to be taken into account when shaping a change strategy are:

- *Stability of the external environment*: When the focal unit (work group, department or organization) is embedded in a stable environment, incremental adjustment might be an

effective change strategy, but when the environment is unstable and the organization (or other focal unit) has to cope with external discontinuities, then a more transformational strategy might be called for.

- *Urgency and stakes involved:* The greater the short-run risks to the organization if the current situation is not changed quickly, the more change managers may have to adopt a directive strategy. Involvement and participation take time, and this time might not be available if the need for change is urgent.
- *Level of support:* If support for change is low, those initiating the change need to consider whether resistance could be reduced by adopting a more collaborative strategy. If this is unlikely, then a more top-down, coercive strategy might need to be considered.
- *Degree to which stakeholders trust those leading the change:* The more other stakeholders trust those leading the change, the more likely they are to be prepared to follow their direction. When trust is low, time is short and those leading the change have more power than those who will be affected by the change, a more directive change strategy might work, but when the change is not urgent and the balance of power is unclear, then a more collaborative strategy could help to improve levels of trust.
- *Clarity of desired future state:* Reference has already been made to two different types of change: blueprint change and emergent change (see Chapter 2). Blueprint changes are those where the desired end state can be clearly specified from the start, whereas emergent changes are those where the need for change is recognized but it is difficult to anticipate what a more desirable future state will look like. Depending on other factors, such as the balance of power, it may be easier to adopt a more directive approach to implementation when confronted with a blueprint-type change. When the need for a change is recognized but there is uncertainty about what needs to be changed or what a better future might look like, a process of collaborative incremental adjustment might be most effective. Incremental change strategies often involve repeated cycles of hypothesizing about what needs to be done, planning how to achieve it, taking action, and reflecting on what happened. This process is more successful when those leading the change seek input and feedback from others.
- *The extent to which change managers have the required data for designing and implementing the change:* The more change managers anticipate that they will need information from others to help design and implement the change, for example when there is little clarity about what a desired end state will look like, the more they will have to adopt a collaborative approach and seek inputs from others.
- *Degree to which change managers have to rely on the commitment and energy of others to implement the plan:* The more change managers are dependent on the energy and commitment of others to engage in discretionary behaviours to make the change plan work, the more attention they need to give to winning the commitment and support of those they have to rely on. One way of achieving this is to adopt a more collaborative approach.
- *Alignment of values:* Burnes and Jackson (2011) report findings which suggest that when the values of those initiating the change are aligned with those affected by the change, the change initiative is more likely to be successful. When values are misaligned, support may be limited and, because it is difficult to modify people's values in the short term, those initiating the change may feel that the only way forward is to adopt a more directive approach.
- *Variations over time:* Balogun and Hailey (2008) echo Kotter and Schlesinger's (1979) view that the focus of a change strategy may vary over time. For example, in the short term, the critical requirement might be to secure the organization's survival. In order to do this, it might be necessary to adopt a tough top-down, results-driven strategy that involves radical cuts and closures, or it may be necessary to redefine the purpose of the organization. Over the longer

term, the focus may switch to a more incremental strategy of fine-tuning, and the major concern may become continuous improvement. This change in focus may involve a move from a directive to a more collaborative approach to implementation.

- *Divisibility*: Where the change is divisible and quick action is required, an effective approach might be to direct a part of the organization to adopt a small-scale trial before making a decision about how to proceed. If it is decided to go ahead, speed may be less of an issue and commitment might be more important. Consequently, at this stage, a less directive approach may be adopted.
- *Need for coordination*: Coordination may become a problem if a number of separate and incompatible change initiatives begin to emerge at different points across the organization. In some cases, coordination from the top may be an essential ingredient of an effective change strategy, even if many of the initiatives originate at lower levels in the organization.

The first two variables listed above – stability of the external environment and urgency and stakes involved – are particularly salient for organizations trying to develop strategies for navigating their way through the disruptions caused by the COVID-19 pandemic.

Whatever overall strategy those leading the change decide to adopt, they might want to consider the best starting point for the change. Balogun and Hailey (2008) discuss the benefit of restricting a change to a pilot site in the first instance. A pilot site might be a single unit or a completely new site. New sites can provide effective test beds for initiatives that might be resisted elsewhere because of ingrained traditional attitudes and practices. Once a change initiative has been proven on the pilot site, other parts of the organization might find it more difficult to resist the change. However, this is not always the case (see the discussion of ‘spread’ in Chapter 26).

A CONTINGENCY MODEL

Kotter and Schlesinger (1979) argue that one of the most common mistakes made by change agents is that they often rely on a single approach to implementing change, regardless of the situation. They refer to:

- the autocratic manager whose only approach is to coerce people
- the people-oriented manager who typically tries to involve and support people
- the cynical manager who always tries to manipulate others
- the intellectual manager who relies too much on education as an influence strategy
- the lawyer-type boss who typically tries to negotiate and bargain.

There are a number of alternative change strategies that leaders can adopt. As we saw above, Beer (2001) discusses the advantages of economic and OD strategies and asserts that a combined economic and OD strategy will often be the most effective. Dunphy and Stace (1988) advocate a contingency approach and offer a model to aid choice that combines two dimensions: type of change (incremental and discontinuous) and mode of change (collaborative and coercive). Burnes (2009) offers an alternative model based on environmental turbulence/scale of change and speed of change.

The model presented in [Figure 10.1](#) is based on three variables: time available for the change, type of change (incremental or discontinuous) and level of support for the change.

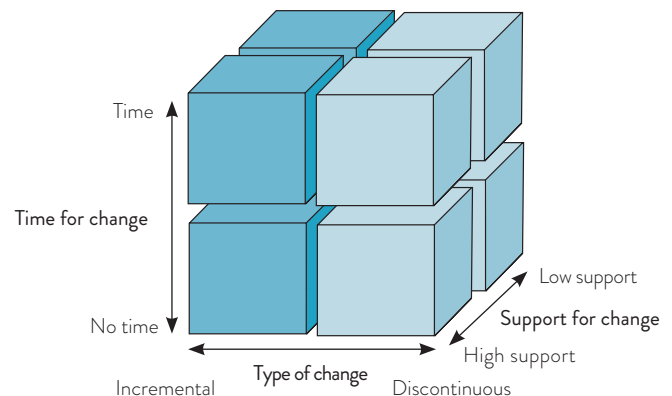


Figure 10.1 A three-dimensional model to aid choice of change strategy

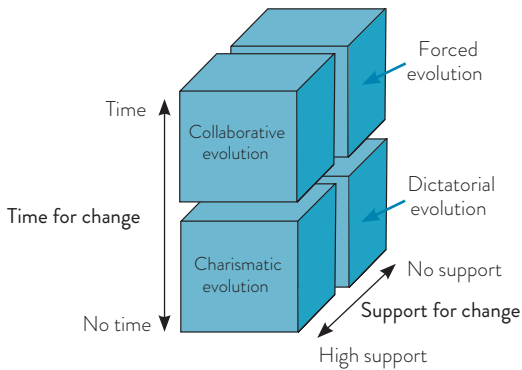


Figure 10.2 Incremental change strategies

Incremental change strategies

Figure 10.2 identifies four change strategies that might be effective when the need is for incremental adjustment.

The four incremental change strategies are:

1. *Collaborative evolution*: An incremental collaborative change strategy that can be effective when the change target (organization, department or work group) is broadly aligned with its environment but there is still a requirement for some minor adjustment, when the need to implement the change is not urgent (so there is time to involve others), and when key stakeholders recognize and accept the need for change.
2. *Charismatic evolution*: Another incremental strategy that can be effective even when the need for incremental change is urgent and there is insufficient time to involve those affected, so long as charismatic leaders can communicate a compelling vision and others trust them to deliver that which they have promised.
3. *Forced evolution*: A directive approach that draws on leaders' legitimate authority to persuade others to accept the change. This strategy can be effective when there is a need for incremental adjustment, there is no pressing demand for immediate change but leaders judge it will be difficult to generate sufficient support for the change. Because the need for change is not urgent and time is on their side, those leading the change can avoid a rushed, heavy-handed approach when imposing their authority. But this strategy will only work if key stakeholders eventually come to recognize and respect leaders' authority. If they do not, those leading the change may have to adopt a more coercive approach and use their power to impose the change.
4. *Dictatorial evolution*: A top-down push strategy that can be used when there is an urgent need for incremental adjustment and key stakeholders are resisting the change. The effectiveness of this coercive approach will depend on the balance of power between those wanting to impose the change and those resisting this move.

Transformational change strategies

Figure 10.3 identifies four change strategies that might be effective when the need is for transformational rather than incremental change.

The four transformational change strategies are:

1. *Collaborative transformation*: Even in turbulent times, such as the years following the 2008 credit crunch, organizations can sometimes anticipate the need for transformational change in sufficient time to be able to adopt a collaborative transformational change strategy. But this approach will only be effective if change recipients recognize and accept the need for change.
2. *Charismatic transformation*: When there is a sudden and urgent need for transformational change and insufficient time to involve employees, leaders may still be able to win their support for the change if they can communicate a compelling vision and if employees trust them to deliver the promised outcome.
3. *Forced transformation*: Where leaders have anticipated the need for transformational change but do not enjoy the support of important stakeholders, they may judge that a

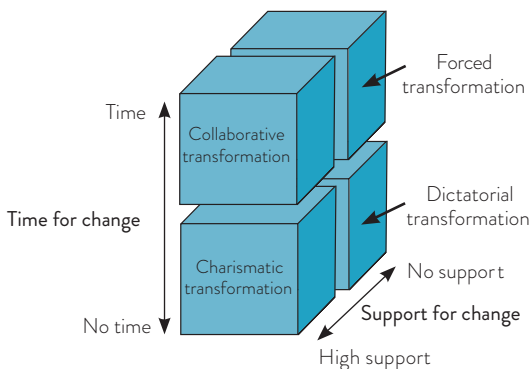


Figure 10.3 Transformational change strategies

collaborative strategy is unlikely to be successful and a more directive approach is called for. But, as with the forced evolution discussed above, because the need for change is not urgent, they can avoid a rushed, heavy-handed approach. However, this strategy will only work if key stakeholders eventually come to recognize and respect leaders' authority.

4. *Dictatorial transformation:* Transformational changes, such as mergers and major restructuring, often cut across the entrenched interests of key stakeholders. When those affected by the change anticipate few benefits or fear harmful outcomes, they are unlikely to support the change. In such circumstances, those leading the change may feel that their only option is a strategy that relies on implicit or explicit coercion.

Change leaders need to be alert to the longer term consequences of adopting a coercive change strategy. In the short term, they may feel that they have no option other than to impose change to secure the organization's survival, but, at some point, this approach may need to be modified if the organization's long-term prosperity is to be assured.

It is easy to assume that the conditions necessary for a collaborative approach are absent and that some form of top-down or external direction is required, but many experienced change managers support the view that adopting a collaborative approach whenever possible can help win support for the change and help sustain the change post-implementation. Change agents who do not line manage those who will be affected by the change report that it can be easier to implement changes when they adopt an approach that encourages the recipients of change and their line managers to own the change. This is one of the lessons that Rene Bomholt learned from his experience of managing change (see *Managing Change in Practice 10.2* below).

Case Study 10.2 on airBaltic illustrates how an experienced change manager developed an effective strategy for a company that was about to be driven out of business.

CASE STUDY 10.2 airBaltic

Towards the end of 2011, the Latvian airline airBaltic was in deep trouble. The company was losing money, flights had been cancelled without explanation, and *The Baltic Times* (14 September, 2011) reported rumours that the airline's minority shareholder, BAS, had attempted to register bogus shares to gain a controlling interest. Following complex negotiations, the government of Latvia and BAS both agreed to invest additional funds, in proportion to their stakes in the airline, to keep the company in business. Unfortunately, the business model was flawed. It focused on achieving an unrealistic rate of growth – expanding the fleet, extending routes and charging low fares in order to attract passengers – and the result was a record heavy loss. The company was forced to apply for bankruptcy protection before the government stepped in and effectively nationalized the airline. It was at this point that Martin Gauss was appointed CEO.

Gauss was an interesting choice. He began his career as a co-pilot working for a British Airways subsidiary, Deutsche BA, in Germany. He moved into a number of management roles such as ground operations and crew planning, became chief pilot and, when the company was bought by a private investor, was promoted to managing director. Deutsche BA was not in good shape so, as MD, Gauss found himself writing his first turnaround plan. The new owner was impressed and invited him to invest some of his own money and work with a colleague to implement the plan. It worked and the company was sold to Air Berlin. When he was recruited as CEO at airBaltic in 2011, Gauss was still a qualified pilot.

In the first instance, Gauss was only appointed CEO for 12 months as a turnaround manager, but he had a longer term plan in mind. He describes his approach as a three-phase strategy. The first, 'ReShape', involved delivering an emergency



solution to the desperate situation confronting airBaltic. The second, 'Horizon 2021', focused on restoring profitability, and the third was all about growth.

His ReShape plan addressed the bottom line. It involved shrinking the airline by 50 per cent, disposing of assets, reducing headcount, terminating loss-making routes and revising the pricing structure. The aim was to stem the heavy losses and provide a platform that would enable the airline to move forward and, eventually, achieve a positive operating performance.

He recognized that if this first part of the plan was to succeed, it had to be seen as credible to shareholders (the government of Latvia), employees and other stakeholders, such as airport authorities and the suppliers of fuel. He recruited new people into his top team and invited an international consulting group to help senior colleagues conduct a forensic analysis before finalizing the turnaround plan.

After securing the support of the government, Gauss concentrated on communicating his vision and way forward to staff. He arranged a series of town hall meetings, with different groups of employees, so that he could present his strategy, address their concerns and secure the concessions he required to make the plan work. He also sought out opportunities to listen to employees. For example, whenever he had to fly, he talked to cabin attendants and visited the flight deck.

Although painful for some, the turnaround plan began to produce positive results and it was forecast that the airline would be in profit within three years; but this was actually achieved earlier than anticipated, in September 2013. Gauss's contract was extended, and he moved on to the second phase of his plan, Horizon 2021. When interviewed, Gauss often refers to the importance of a vision and a credible plan, and when he launched Horizon 2021, he announced that the 'dream' was for airBaltic to be making a healthy profit and operating 34 aircraft by 2021. He was actually more ambitious than this but believed that going for, and achieving, an attainable stretch goal would give employees the confidence necessary to deliver his more aggressive 2024 target of 80 aircraft serving an extended range of destinations across Europe and beyond. The Horizon 2021 phase of renewed growth involved recruiting new flight crew and other staff and creating opportunities for employees to contribute to new developments, changes that helped to generate renewed energy and increased levels of job satisfaction.

An important element of the restructuring plan was an overhaul of the airBaltic mixed fleet of Boeing, Bombardier and Fokker aircraft. Gradually, these aircraft were replaced with the Airbus A220-300, a 145-seat, fuel-efficient jet well suited to the routes that airBaltic was flying (and intending to fly in the future). The airline also began to develop a successful hybrid business model that embraced both point-to-point and hub-and-spoke routes, together with a choice of ultra-cheap economy or business class seats. Another feature that satisfied the needs of some, especially the lucrative business class customers, was connectivity. Enabling connections and the transfer of checked baggage between flights was a service not offered by the low-cost airlines, such as Hungary's Wizz Air and Ryanair, which were airBaltic's main competitors.

Latvia's airBaltic was transformed into a successful airline, continuing to expand routes across and beyond Europe, and winning market share from competitors serving routes to, from and between the Baltic states.

Unfortunately, like other airlines, airBaltic was hit hard by the COVID-19 pandemic. But it was quick to respond to the crisis. On 17 March 2020, it completely stopped flying and implemented an emergency plan to ensure its long-term survival. The plan involved downsizing both its fleet and its staff by 40 per cent. Almost 700 employees were laid off, but they were assured that they would be reinstated when business picked up. While these emergency measures were being implemented, a separate team of 11 top managers began working on the development of a recovery strategy. They spent two months crafting their plan, which they began to implement on 18 May 2020 when four aircraft recommenced flying a limited number of routes. But the company had to cope with further disruption when, in the autumn of 2020, it was hit by the second wave of the COVID-19 pandemic.

With reference to the ideas presented in this chapter:

- 1. What kind of change strategy did Martin Gauss pursue?**
- 2. Did he pursue the same strategy throughout, or did he adjust it as circumstances changed?**
- 3. Identify some of the factors that contributed to the success of Martin Gauss's approach to managing change.**

SHAPING CHANGE STRATEGIES WHEN FACED WITH PERVASIVE BIG-BANG DISRUPTIONS

Pervasive big-bang disruptions, such as the COVID-19 pandemic, can confront many organizations with a series of unanticipated changes, together with considerable uncertainty regarding what the 'new normal' might look like following the disruption. For these organizations, their survival could depend on introducing rapid transformational change. According to the contingency model

presented above, the most appropriate change strategies in such circumstances might appear to be top-down, either charismatic or dictatorial transformation. Charismatic transformation could be effective if there is a sufficient number of stakeholders who accept the need for rapid radical change and if they have confidence in their leaders' ability to deliver. Dictatorial transformation, on the other hand, may be more effective if these conditions are absent. But there is another more collaborative possibility that might be more effective. When confronted with a big-bang disruption, the number and complexity of the issues that have to be managed might be beyond the capacity of the CEO and the top team, and a more effective approach might involve drawing additional people into the process, but doing so in a way that facilitates a rapid response.

Hirt et al. (2020) suggest that one way of doing this is to create separate teams to work on particular issues. For example, the CEO might set up a crisis business continuity team to manage the organization's day-to-day response to the current situation, and a separate plan-ahead team to determine how the organization might best respond to the unfolding situation following a resolution of any immediate threat to its survival.

The crisis team might involve people from across the organization who have the required expertise to work on pressing issues such as cash flow, supply chains, staffing, customer support, new business processes, compliance with new rules and regulations, and anything else that might affect business continuity.

The plan-ahead team, according to Hirt et al. (2020), should focus on collecting forward-looking intelligence, working across multiple time horizons, developing a range of scenarios that model different versions of the organization's future, and drawing their findings together to identify a viable strategic direction. The outcome of this process could include:

- Working towards sustaining the business and restoring operations.
- Restructuring the organization to be aligned with a much leaner market environment.
- Developing new market opportunities that draw on existing expertise, reputation or manufacturing technologies.
- Modifying the business model to accommodate radically different customer behaviour.
- Making best use of available resources to shape a completely new business.

Hirt et al. (2020) argue that because of the complexity of the task, the plan-ahead team might be modular and include a number of subgroups working on different issues. D'Auria and de Smet (2020) make a similar point. Drawing on Collins et al. (2015), they advocate creating a network of teams, an assembly of adaptable groups with a high degree of empowerment, strong communication and rapid information flow that are united by a common purpose and coordinated by a 'nerve centre'.

MANAGING CHANGE IN PRACTICE 10.2 Rene Bomholt: The organization that is going to change has to own the change

Rene Bomholt is an experienced change manager. He has led a wide range of projects, including ensuring organizational readiness for 5,000 end users of a new commercial process and the supporting IT solution; driving management support in local organizations globally; change readiness tracking; and establishing and driving a global community of change agents. When he made this recording, he was working with Netcompany, Denmark's fastest growing IT consulting house.

In his short video, available to watch on the book's companion website at bloomsbury.pub/hayes-change-management-6e, Rene argues that those who will have to behave differently after a change need to be involved as early as possible, ideally early enough to be involved in finding the solution. He has also learned from experience that it is important to anchor ownership of the change with senior managers so that they will support those who are working hard locally to make the change happen.

✓ EXERCISE 10.2 Change strategies

1. Based on your experience or your observations of how change is managed, which is the most frequently used change strategy? What are the reasons for this?
2. In your opinion, can a change strategy that combines a top-down drive for results *and* the development of organizational capability offer a better chance of achieving sustained high performance than one that focuses on either results or capability? Why?
3. Identify a recent change in your organization, or another organization you are familiar with, maybe because it has attracted press attention, and critically assess the effectiveness of the strategy used to implement it.

SUMMARY

This chapter opened with an overview of how the dominant change strategies have changed over time but noted that while tough top-down strategies continue to be popular, there has been renewed interest in more collaborative strategies.

The strengths and weaknesses of the three approaches to managing change identified by Beer were reviewed.

Attention was given to some of the situational variables that need to be considered when shaping a change strategy.

Attention was also given to shaping change strategies when faced with pervasive big-bang disruptions.

The final part of the chapter drew these ideas together and presented a contingency model that leaders can use to identify the most effective way of implementing change.

The chapter concluded with a note of caution. Change leaders need to be alert to the longer term consequences of adopting a coercive change strategy. In the short term, they may feel that they have no option other than to impose change to secure the organization's survival, but, at some point, this approach may need to be modified if the organization's long-term prosperity is to be assured.



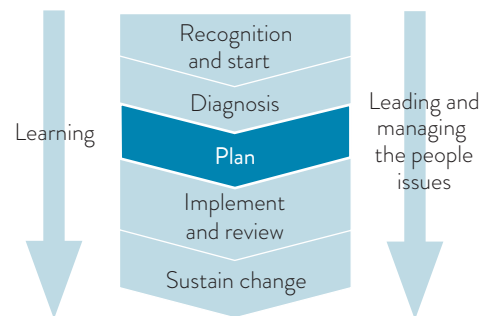
DEVELOPING A CHANGE PLAN

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Understand the importance of planning.
2. Identify what needs to be included in a plan if the change is to be implemented successfully.
3. Assess whether the resources required to implement the plan will be available.
4. Ensure the plan accommodates change participants' perceptions of the proposed change.
5. Assess whether the plan needs to address multiple levers for change.
6. Use critical path analysis to schedule activities.
7. Apply Oakland's figure of eight model to review the viability of a change plan.

Developing a change plan involves thinking through what needs to happen if a change target (work group, department or organization) is to be moved towards a desired end state. Before reading on, reflect on your approach to planning for change in Exercise 11.1.



✓ EXERCISE 11.1 Reflect on and review a past plan for change

Reflect on a change you tried to introduce at work or elsewhere:

- Did you have an explicit plan for achieving the desired change or did you just muddle through, responding to issues as they arose?
- Did your approach work?
- Why was this?
- Could you have done anything to improve your plan?

Where the desired end state is known in advance, it might be possible to develop a 'blueprint' plan, which specifies a whole range of things, such as who will lead the change, what needs to be done, a timeline for implementation, and the provision of the resources at each step along the way. However, where it is difficult to define the desired end state in advance, blueprint planning may not be possible and the plan for change will have to be more tentative and flexible. This kind of flexible plan has to evolve over time.

Sometimes, planning happens as a stand-alone, clearly bounded activity, but often the boundaries between planning and implementation and diagnosis and planning are blurred. Even when this is the case and planning is closely entwined with other activities, there are still a number of planning-related issues that require attention.

The chapter begins by looking at the development of high-level plans and then goes on to discuss what has to be done to translate these high-level intentions into effective plans.

Attention is focused on eight tasks:

1. Appointing a transition manager
2. Identifying what needs to be done
3. Producing an implementation plan, with clear targets and goals, which can indicate progress and signal any need for remedial action
4. Using multiple and consistent leverage points for change
5. Scheduling activities
6. Ensuring that adequate resources are allocated to the change and that an appropriate balance is maintained between keeping the organization running and implementing the changes necessary to move to the desired future state
7. Implementing reward systems that encourage experimentation and change
8. Developing feedback mechanisms that provide the information required to ensure that the change programme moves forward in a coordinated manner, especially where the plan calls for consistent change in a number of related areas.

Most of this chapter focuses attention on planning under normal circumstances, but the final section considers how planning can be affected by big-bang disruptions and other emergencies.

DEVELOPING A HIGH-LEVEL PLAN FOR CHANGE

High-level plans attend to the big picture but can sometimes neglect important issues. Example 2.1 on Concrete Flags illustrates a common problem. The plan for change failed to take account of the need to maintain internal alignment. Plans focused on developing new products and markets and installing a new production technology, but failed to consider the implications of these changes for the operatives whose job was to manufacture and dispatch the new 'dream patios'. Case Studies 23.1–23.6, on KeyChemicals, provide another example where a company developed a high-level plan to acquire another business and followed this with a number of more detailed project plans focusing on the many tasks that had to be completed to ensure that the acquisition delivered the strategic objectives driving the change.

Case Study 11.1 on Bairrada Wines also provides an example of how high-level plans can evolve after a need for change has been recognized. This is the first of two case studies that feature Bairrada Wines. This first one invites you to critically review the planning process.

CASE STUDY 11.1 Planning for change at Bairrada Wines

Bairrada Wines (as it will be referred to here) is a small family-owned Portuguese winery that uses traditional methods to produce excellent wine from its own grapes. For many years, demand outstripped supply, so it was decided to plant more vines. It was four years before the additional output was available for sale but, once again, all the wine was quickly sold. Encouraged by this, the founder/owner, now company president, acquired more land and planted more vines to increase production, and profits continued to increase until the Portuguese economy was hit by a recession and the economic downturn began to affect sales. However, although revenue fell, the winery was still making a profit and the banks were happy to continue lending to Bairrada Wines, even though they were closing their doors to many similar businesses. This created a false sense of security, but 12 months later the president and the CEO recognized that the downturn in the demand for wine was not just a short-term 'blip' and that they would have to take action if they were to survive and prosper in the new more competitive climate.

Although times were getting harder, the business was continuing to make a modest profit and had few debts, so the president and the CEO agreed that the situation did not call for them to impose any draconian cuts. When formulating their high-level plan, they decided not to call for any sudden radical change because they felt that this could do serious damage

to the winery's culture and the high level of staff commitment that, over the years, had contributed to the success of the business. Their view was that the best way forward was to involve the management team and as many employees as possible in developing a plan that would secure the long-term success of the business.

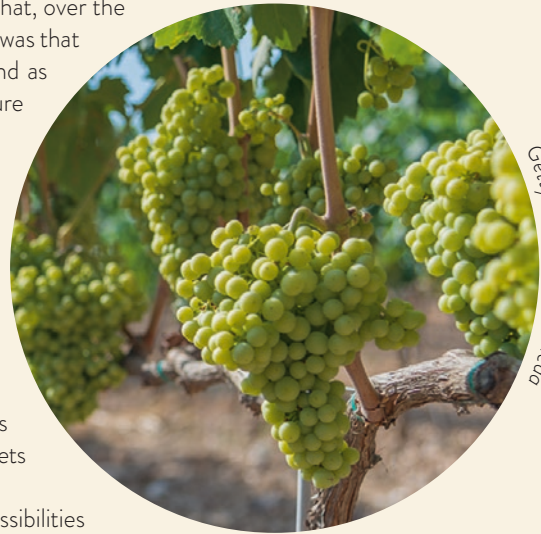
After several meetings of the management team, a plan began to emerge. It was decided that more needed to be done to secure the future market for their wine. Over 75 per cent of output was sold within Portugal and no effort had been made to develop export markets. The 25 per cent of the wine that had been sold for export had been sold to foreign buyers who had sought out the winery. But, given the possibility that local sales could continue to be depressed for some time, it was decided to begin exhibiting at those wine fairs that attracted foreign buyers and to do more travelling to visit buyers in selected export markets such as Germany and the UK.

The high-level plan also gave attention to exploring possibilities for reducing costs. Labour costs accounted for a high proportion of the company's annual spend so this was an obvious target, but because most employees had been with the company for many years, redundancy was a costly option and letting people go could undermine the commitment of those who were retained. However, one senior member of the administrative department was 12 months off qualifying for early retirement, so a possibility was to explore her willingness to switch to a part-time contract until then. It was also decided to explore other possibilities for moving staff to part-time work.

Savings could also be made if winery and vineyard workers could be persuaded to work more flexibly. It was already accepted practice that the agricultural workers would work in the winery when, because of weather conditions or the time of the year, there was little or no work in the vineyard. But this arrangement did not work the other way round. Winery workers did not normally work outside and seasonal workers were employed at harvest and for pruning. It was anticipated that the proposal to temporarily relocate some of the winery workers to the vineyards at peak times would be resisted, but it was decided that this option needed to be explored. The management team acknowledged that they would have to communicate a compelling vision of the required changes if they were to secure the support for more flexible working, an approach Dibella (2007) identified as effective when the appeal of a necessary change is low (see [Figure 11.2](#) below).

Opportunities for cost savings were also identified within the winery. Elaborating aged wine is a traditional process, and in the winery many of the steps in the process, such as pump over, pressing, run off and racking, involved little mechanization, but it was decided to engage a consultant to investigate the possibilities of reducing costs without affecting quality. With this exception, it was decided to curtail all capital investment, so the plans to construct a new water purification plant and purchase additional land for planting new vineyards were put on hold.

The president and CEO felt that the management team had helped them to develop a good plan that involved working on several levers for change simultaneously.



Getty Images/Xavi Taliedo

- 1. Is the change plan based on an appropriate strategy for change (see ideas discussed in Chapter 10)?**
- 2. Does the change plan address the main problems confronting the business?**
- 3. Does the plan take account of all the issues that could affect the outcome or are there important omissions?**
- 4. Would an alternative approach deliver superior outcomes?**
- 5. If 'Yes', outline the essential elements of your alternative approach.**

Source: This case study is based on contributions from Eva Perez.

TRANSLATING HIGH-LEVEL INTENTIONS INTO DETAILED PLANS

Beckhard and Harris (1987) define the period of time between the identification of the need for change and the achievement of a desired future state as the 'transition state'. Often, key phases of this state are unique and different from either the pre-change state or the post-change state. For example, if an organization recognizes that it needs to improve the way it manages information and, after

exploring a number of possibilities, decides to move to an enterprise resource planning system, it will experience a period of transition. There will come a point when the organization continues to rely on the old system while the new one is being developed, installed and debugged. During this period, people affected by the change will have to keep the old system going while learning how to work with the new system and develop the work roles and relationships that will have to be in place when the new system is up and running.

It is not unusual for many types of change to disrupt normal work practices and undermine existing systems of management. Nadler (1993) argues that during this period, control is one of the major challenges facing management. To abandon previous management systems before new ones have been developed can frustrate any attempt to manage the change unless some form of temporary management system is put in place. Nadler refers to the need for 'transition devices'. These include the appointment of a transition manager, the development of a plan for the period of transition between the old state and the proposed future state, the allocation of specific transition resources such as budgets, time and staff, and the development of feedback mechanisms to facilitate monitoring and control. These, along with some other planning issues, will be considered below.

APPOINT A TRANSITION MANAGER

It is not always obvious who should be in charge during the transition phase. Should the person in charge of the pre-change state continue to be in charge during the transition? Should management responsibility pass to a temporary project manager or the person who will be in charge post-transition? Beckhard and Harris (1987) suggest that there is no cut-and-dried answer to this question. Typically, the transition state is characterized by high levels of ambiguity and conflict and the individual (or group) tasked with managing the transition needs the:

- *clout* (power and influence) to mobilize the resources necessary to keep the change moving. In situations where resources are scarce, those responsible for keeping the old system going may resist giving up the staff time and other resources required to develop the new system
- *respect* of the existing operational leadership and those who are working on the development of the new system
- *ability* to get things done in ways that will win support and commitment rather than resistance and compliance.

Depending on the nature of the change, there may be several possible candidates for the transition management role. A senior person in the organization may step in and take control. A project manager may be appointed on a temporary basis (see the discussion of this possibility in Chapter 7). The person in charge of the pre-change state may be given responsibility for the transition in addition to their current operating role. A task force or temporary team may be established. Where a team approach is adopted, consideration needs to be given to team composition. It might include representatives from the constituencies affected by the change, a diagonal slice of staff representing different levels of the organization, 'natural leaders' (people who have the confidence and trust of large numbers of their colleagues), or a group who are drawn together because of their technical skills.

Avoid unnecessary fragmentation

The problem with some of these options, such as the appointment of a temporary project manager, is that they can fragment the change process. Clegg and Walsh (2004) observe that many change processes appear to be designed with little reference to the powerful logic underlying business process thinking. They refer to software development projects that are often managed through various sequential stages including, for example, strategy, feasibility, conceptual design, detailed design, programming, implementation, use and maintenance. Even when change projects involve fewer steps, they may still be fragmented, with recognition, initial diagnosis and visioning being

undertaken by one (often senior) group who then hand over to others for more detailed work and implementation, who in turn hand over to users who have to make the changes work. Clegg and Walsh (2004) suggest that this can give rise to a number of problems:

- the different people involved at each stage can make different assessments and prioritize different objectives, resulting in confusion, conflict and waste
- feedback loops are limited
- consequently, opportunities to influence and learn from each other are restricted.

So, while it is important to appoint a capable person to lead the transition, it is also important to ensure that this transition manager keeps in close contact with others involved at an earlier stage in the process and the post-transition manager who will have to live with the consequences of the change.

IDENTIFY WHAT NEEDS TO BE DONE

Once a change objective has been identified, attention needs to be given to what has to be done to achieve the change. The Awakishi diagram could prove helpful for this purpose (Change Tool 11.1).

CHANGE TOOL 11.1 The Awakishi diagram

The Awakishi diagram (Newman, 1995), also referred to as a ‘fishbone diagram’, is a useful tool to stimulate thinking about what needs to be done. Let us assume that the change involves the closure of a plant to achieve cost savings. An individual (or group) could brainstorm ideas about what needs to be done to achieve this goal. The brainstorm might generate a large number of issues requiring attention, which can be grouped into categories. The most important categories provide the main ‘bones’, which connect to the spine of the skeleton (see Figure 11.1). These could include identifying which plant to close, surplus equipment, inventories and people.

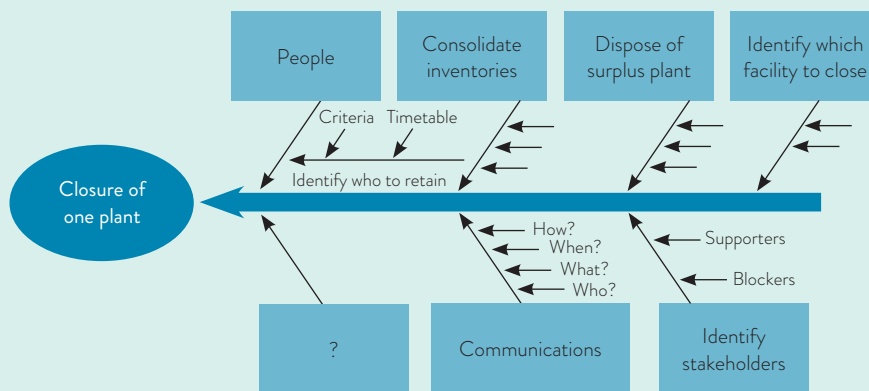


Figure 11.1 Using the Awakishi diagram as a change tool: plant closure

Using these bones as prompts, the other things that will need to be done can be identified and prioritized. For example, what needs to happen in order to identify which plant to close, which equipment to dispose of, and which people to let go? Attention can then be given to what needs to be done to actually close the target plant, dispose of surplus equipment, and manage the relocation/severance of surplus staff. Attention can also be given to issues such as stakeholder management, communications and so on.

Developing a clear picture of what needs to be done is an essential task for new business founders. After identifying a business opportunity and developing a business concept, the aspiring entrepreneur will need to formulate a plan that will identify what has to be done in order to establish the new business as a viable enterprise. Some of the issues that might be considered could include securing access to external finance, creating an organizational infrastructure to support the business, accessing required expertise and necessary technology, and building relationships with suppliers and potential customers.

DEVELOP AN IMPLEMENTATION PLAN

Two factors will influence the change plan:

1. Change participants' perceptions of the proposed change in terms of its appeal and the likelihood that it will happen.
2. Clarity of the desired end state – is the change a 'blueprint change', where the desired end state is known, or an emergent change, where the desired end state is, as yet, unknown?

Change participants' perceptions

Dibella (2007) points to four scenarios regarding change participants' perceptions of the appeal and likelihood of the change occurring, and suggests how these perceptions might affect the way a change manager responds (Figure 11.2).

		Likelihood change will occur	
		High	Low
Appeal	High	1 Expedite Specify tasks and time frame to ensure nothing is missed	2 Encourage and empower Target 'low-hanging fruit' to ensure quick wins and build credibility
	Low	3 Reframe Increase appeal by communicating a compelling vision and/or modifying the change	4 Revitalize or retrench Increase appeal by communicating a compelling vision or modifying the change and/or make it inevitable by modifying the circumstances

These perceptions are as follows:

1. *Participants view the change as desirable and consider it inevitable:* Here, the change manager's task is to expedite the change. There will be little resistance, so the main requirement is to develop an implementation plan that lays out critical tasks and time frames. This will help to avoid the possibility that, because the change is viewed as inevitable, those involved may relax and overlook the need to complete some necessary tasks.
2. *Participants view the change as desirable but are not convinced it will happen:* The change manager needs to develop a plan that will encourage and empower others by acting in ways that will shift their

Figure 11.2 Change participants' perceptions of the appeal and likelihood of the change

Source: A.J. Dibella, 'Critical perceptions of organisational change', *Journal of Change Management*, 7(3/4), p. 234, 2007, Figure 1, Scenarios in how change is perceived. Taylor & Francis, www.tandfonline.com.

perceptions and increase their conviction that the change will be accomplished. Dibella (2007) suggests this can be achieved by developing a change plan that focuses, first, on achieving small victories by addressing the 'low-hanging fruit'. This will help to secure early successes that will build credibility.

3. *Participants do not view the change as desirable but anticipate that it is inevitable:* This fits the stereotypical condition where resistance to change is expected. Dibella (2007) suggests that, overtly or covertly, participants will strive to alter the conditions and make it less inevitable by reducing their engagement. Here, change managers need to focus attention on reframing and making the change more desirable. As a minimum, the change manager will need to communicate a compelling vision.
4. *Participants perceive the change to be undesirable and unlikely to happen:* Here, there is no clear incentive for participants to engage in the change. They may be openly defiant and act in ways that will test the change manager's credibility. Dibella (2007) suggests that the change manager's options include revitalization, modifying the change to make it more appealing, or retrenchment, altering the environment to make it seem more inevitable. One possibility for altering the environment might be to recruit a set of champions or advocates into the process, who view the change in more positive terms, or remove some of the most resistant participants from the scene (see the discussion of stakeholder management in Chapter 17).

Clarity of the end state

Planning is easier when the desired end state is known. With a blueprint change, it is normally relatively easy to define the change goal, but sometimes it is not possible to articulate a clear vision of what the end state will look like. There are circumstances, described in Chapter 2, where a need for change might be recognized – because, for example, the organization is losing market share or failing to innovate as fast as its competitors – but it may be far from obvious what needs to be done to improve matters. There may be a broadly defined goal and a direction for change, for example improving competitiveness, but it may not be possible to provide a detailed specification of what this end state will look like. Here, change needs to be viewed as an open-ended and iterative process that emerges or evolves over time. Rather than developing a single grand plan to achieve a clearly defined end state, the change manager might need to think in terms of developing a series of smaller but reasonably well-defined plans. After each step in the implementation process, the step itself and the direction of the change can be reviewed, and the plan for the next step in the process firmed up (Figure 11.3).



Figure 11.3 Clarity of end state and content and structure of the plan

Quinn (1993) suggests that this kind of incremental approach to planning and implementing change can have advantages even when change managers do have a view of where they want the organization to be. He argues that taking small steps, reflecting on progress, and building on the experience gained can be effective because it:

- improves the quality of the information used in key decisions
- helps overcome the personal and political pressures resisting the change
- copes with the variety of lead times and sequencing problems associated with change
- builds the overall awareness, understanding and commitment required to ensure implementation.

Based on his observations of senior managers in Xerox, GM and IBM, Quinn (1993, p. 83) concludes that often, in practice, by the time change plans begin to crystallize, elements of them have already been implemented. He reports that by consciously adopting this kind of incremental process, change managers can build sufficient momentum and gain sufficient commitment to change plans ‘to make them flow towards flexible and successful implementation’.

While recognizing the importance of planning, Nadler and Tushman (1989) caution against developing an uncompromising commitment to an implementation plan. Early actions will have unintended consequences, some welcome, some not, and it is inevitable that some unforeseen opportunities as well as problems will be encountered. They assert that to ignore unanticipated opportunities just because they are not in the plan could be ‘foolish’. Planned change involves learning and constant adjustment. Planning needs to be balanced with what Nadler and Tushman refer to as ‘bounded opportunism’. Change managers should not feel compelled to respond to every problem, event or opportunity, because doing so could involve adopting courses of action that are inconsistent with the intent of the change, but, within certain boundaries, being opportunistic and modifying plans can deliver benefits.

Beckhard and Harris (1987) identify seven characteristics of effective transition plans. Effective plans are:

1. *purposeful*: the planned activities are clearly linked to the change goals and priorities
2. *task specific*: the types of activities involved are clearly identified rather than broadly generalized
3. *integrated*: the discrete activities are linked

4. *temporal*: events and activities are timetabled
5. *adaptable*: there are contingency plans and ways of adapting to unanticipated opportunities and problems
6. *agreed*: by top management, and other key stakeholders, as required
7. *cost-effective*: to avoid unnecessary waste.

This list might be extended to include some of the issues considered below, for example the provision of adequate resources and rewards for desired behaviours.

USE MULTIPLE AND CONSISTENT LEVERAGE POINTS FOR CHANGE

It was noted earlier that organizations are equilibrium-seeking systems. If only one component of the system is changed, this can trigger forces that will work to realign all the components of the system and re-establish the status quo. One way of avoiding this is to use multiple and consistent leverage points for achieving change. For example, if it is decided to change the structure of an organization, it may be necessary to modify other elements of the system at the same time, such as culture and career management and appraisal systems, in order to secure the intended benefits (see Example 11.1).

EXAMPLE 11.1 Matrix structures

Managers in a Spanish auto components manufacturing company decided that, in order to improve performance, they needed to introduce a new structure that would be more responsive to the complex technical issues associated with production and the unique project requirements of their customers. This kind of dual focus has long been recognized as a requirement in the aerospace industry, where products are technically complex and customers very demanding.

In this case, the promise of improved performance was not realized because the transition plan did not incorporate multiple and consistent leverage points for change. It failed to recognize the need, when introducing the new structure, to adjust a range of other elements of the wider organization, such as the organization's systems and culture.

Matrix structures (see Figure 11.4) will only be effective if they are supported by organizational systems concerned with planning, controlling, appraising and rewarding that serve the needs of the functional and customer project dimensions of the new structure. If appraising and rewarding are left in the hands of functional managers, such as the heads of engineering and production, the managers responsible for the customer-related projects might find they have little influence over the members of their project teams who also report to a functional manager. In the auto components manufacturing company, team members gave priority to the demands of their functional managers because they continued to exercise most influence over their career and reward package. The new systems failed to accommodate the new dual focus.

There was also no attempt to modify the pre-change organizational culture to ensure that it would be compatible with the new matrix approach to management. In this case, there was a rigid bureaucratic tradition, a belief in the sanctity of the unity of command, and a commitment to immediate departmental objectives. This culture undermined attempts to achieve the dual strength of technical competence and customer focus. A matrix organization will only be effective when members are aware of and willing to work towards these broad goals and have the skills and competence to expand their contribution to embrace responsibility for managing the relationship between their subtask and the broader organizational purpose.

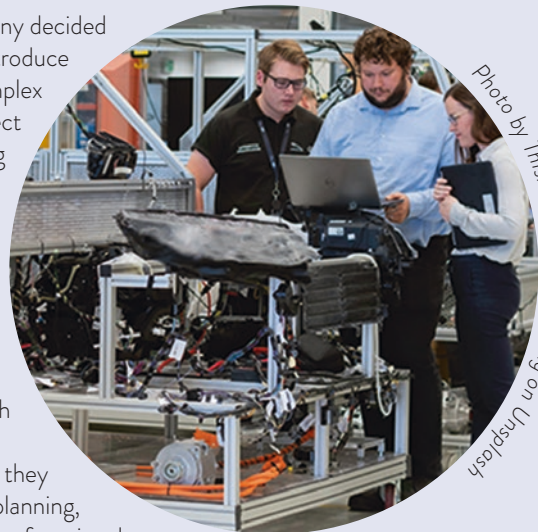


Photo by ThisEngineering RAEng on Unsplash

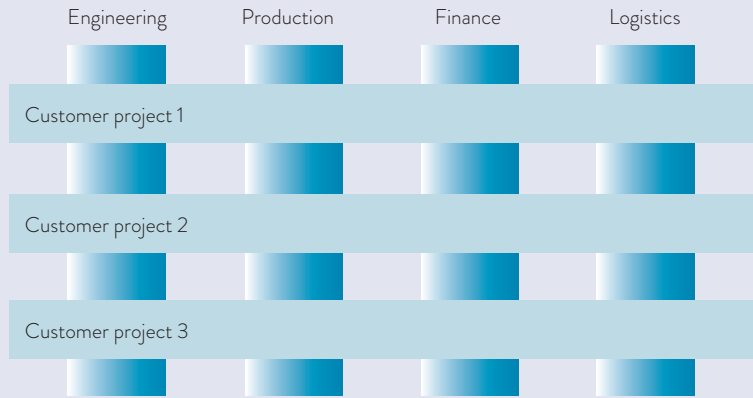


Figure 11.4 A matrix organization structure

The importance of attending to multiple and consistent leverage points receives more attention in Chapter 12, when sociotechnical systems and the System Scenarios Tool are discussed.

SCHEDULE ACTIVITIES

Any plan for change will involve managing a long list of things that will need to be done in order to make the proposed change a reality. There will be different lead times associated with the various tasks, interdependencies between them and resource and other constraints. All these things need to be taken into account when developing an implementation plan. Careful scheduling can help to ensure that all the necessary actions occur when required. This process can be accomplished with the help of critical path analysis (Change Tool 11.2).

CHANGE TOOL 11.2 Critical path analysis

Critical path analysis is a useful tool for scheduling and identifying resource requirements. It focuses attention on:

- the tasks that need to be completed
- the order in which they have to be undertaken
- dependencies between activities. It may not be possible to start some activities until others have been completed, whereas others might not be dependent on the completion of other tasks and can be started at almost any time – so long as they are completed when required by later stages in the change process (see task 8 in table below)
- the resources needed to complete the project and when they will be required
- milestones to monitor progress
- the shortest time to complete the project to specification and within budget
- possible ways of shortening this project time if circumstances require – crashing the critical path.

Drawing the critical path

The first step is to list all the tasks that need to be undertaken, the time required to complete each task, and the dependencies between tasks. A simple table can help.

Task	Duration	Start date	Completed by
Task 1	5 days	To be completed first	Day 5
Task 2	3 days	On completion of task 1	Day 10 (2-day float)

Task 3	5 days	On completion of task 1	Day 10
Task 4	5 days	Any time	Day 16 (10-day float)
Task 5	5 days	On completion of task 3	Day 16
Task 6	3 days	On completion of tasks 4 and 5	Day 21 (3-day float)
Task 7	2 days	On completion of tasks 4 and 5	Day 17
Task 8	1 day	Any time	Day 22 (21-day float)
Task 9	5 days	On completion of task 7	Day 22

The data can be used to create a diagram (see Figure 11.5), in which the arrows show the activities and time required to complete each task. Circles show the beginning and end of tasks. The numbers in each circle show the required end date and the milestones for the critical path (in bold). The coloured arrows in Figure 11.5 show the critical (longest) sequence of dependent tasks and the shortest time to complete the project. Unless tasks on the critical path are started and completed on time, it will take longer than necessary to complete the overall project. The table above and Figure 11.5 also show those tasks that have spare or 'float' time. For example, task 8 can be started any time as long as it is completed by day 22.

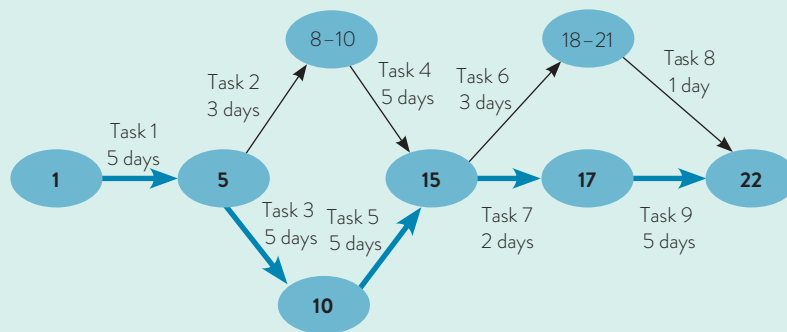


Figure 11.5 A critical path analysis

Crashing the critical path

If part of the project is delayed, or it is necessary to complete the project quickly for some other reason, the critical path analysis will indicate how this might be achieved. Just throwing extra resources at every task to speed things along may be less effective than targeting extra resources at those tasks that are part of the critical path.

PROVIDE RESOURCES FOR THE TRANSITION

There is always a cost associated with change. For example, there may be a need for training, new equipment, the development of software, the design of new structures, and staff time to do all this. When the need for change is anticipated, it is more likely that the resource requirements will have been foreseen. However, when change is imposed as an urgent response to a pressing problem, the organization may find itself stretched. Sometimes, it may be so stretched that it cannot resource the change and has no option but to go out of business. In less pressing circumstances, it is not unusual for management to assume that much of the staff burden of change will be borne by employees working longer and harder. While people often rise to the challenge in the short term, goodwill cannot be relied on forever. Where change is a constant feature of organizational life, this needs to be recognized and the required resources made available.

Nadler and Tushman (1989) suggest that one of the scarcest resources is senior staff time, and when senior managers are so overloaded they are unable to invest sufficient time – to attend planning meetings, make presentations, attend special events, get involved in training and so on – change initiatives are more likely to fail.

REWARD TRANSITION BEHAVIOURS

Where people are required to continue working with the pre-change system, in order to 'keep the show on the road' and maintain operations, while simultaneously developing the new system, they might give insufficient attention to the change. This can happen because existing control systems reward current practice and offer little incentive for development work. Consequently, people are discouraged from investing their time in this work and from experimenting with new behaviours that might be required in the future. Steps need to be taken to ensure that transition behaviour is not penalized, and every opportunity to reward this kind of behaviour needs to be explored. Example 21.1 on the introduction of legal templates illustrates this point.

DEVELOP FEEDBACK MECHANISMS

A key requirement for maintaining control in the transition phase is the development and installation of new feedback devices and control systems that will facilitate the monitoring of progress towards the desired future state. Nadler (1993) is a particularly strong advocate of customized feedback mechanisms during the transition phase, because the feedback processes that managers normally use to collect information about how the organization is functioning might be less appropriate during this period. Additional sources of feedback might include organization-wide surveys, focus group discussions and feedback from individual organizational members. Bruch et al. (2005) argue that a comprehensive system for monitoring and reporting is essential to maintain people's attention on the change. This point receives more attention in Chapter 24.

Plans are not always implemented as intended

How the Bairrada Wines case unfolded following the formulation of the plan for change is presented in Case Study 11.2.

CASE STUDY 11.2 Bairrada Wines: the consequences of blinkered thinking

Before reading on, reflect on your answers to the questions posed at the end of the first part of the Bairrada Wines case study (presented at the beginning of this chapter). Pay particular attention to whether you thought the plan took account of all the issues that could affect the outcome. Were there any omissions?

The proposed plan for change described in Case Study 11.1 needed to be presented to the board of directors, so the CEO prepared a paper that outlined the plan and detailed all the actions that required approval. Given the involvement of the company president in the formulation of the plan, the CEO and management team considered the required approval as a formal step and did not anticipate any problems. It was a huge surprise, therefore, when the plan was not approved and the founder/president, who still owned 40 per cent of the shares (having transferred some of his equity to family members), was released from the role of company president. He was outvoted by his children and other family members who, together, owned the other 60 per cent of the shares.

The board, which comprised the other family members, was not happy with the proposed plan. It wanted fast action to restore the previous level of profitability and came up with a new strategy, which involved laying off five managers and supervisors and replacing them with two new managers who would be tasked to work alongside the CEO to cut costs as quickly as possible.

The plan for change that had been developed by the management team was not implemented because the president and the CEO had paid insufficient attention to the other family members who were on the board. The president was taken completely by surprise when they rejected the plan because, during the good times, they had shown little interest in how the business was managed and had done little to help shape the company's strategy. The president also reported that he had never before observed them acting as a cohesive group.

Source: This case study is based on contributions from Eva Perez.

This case study illustrates how carefully thought-out plans for change may not be implemented as anticipated if those leading the change fail to take account of the concerns and interests of all the powerful stakeholders. In this case, the president and the CEO, based on their past experience, had been completely unaware of the threat posed by other members of the board to their plans.

PLANNING FOR PREDICTABLE SURPRISES

Predictable surprises are problems that have the potential to explode into a crisis but are not recognized or, if recognized, not prioritized by key decision makers. Watkins and Bazerman (2003) assert that even the best run companies are frequently caught unaware by disastrous events that should have been anticipated and prepared for. COVID-19 is a prime example. Harford (2020) observes that we were warned by experts, for example Bill Gates' 2015 TED talk 'The next outbreak? We're not ready', and by previous outbreaks of similar viruses – SARS in 2003, influenza in 2006 and 2009, Ebola in 2013 and MERS in 2015. The response to these deadly epidemics seems to have been brief alarm followed by a collective shrug of the shoulders.

According to Watkins and Bazerman (2003), organizations are vulnerable to predictable surprises because they fail to recognize emerging threats, fail to give them sufficient priority and/or fail to mobilize an effective response, such as developing a business continuity plan.

Recognition of predictable surprises

Most leaders are alert to the need to recognize and respond to the threats or opportunities that are a normal part of everyday business, but many are less alert to the need to identify and plan for predictable emergencies. When emergencies happen, they can cause harm to both people and the organization. A sudden drop in demand because a major customer has encountered financial difficulties, or a disruption in the supply chain caused by an air traffic control dispute, may disrupt business continuity but pose no threat to the physical health or safety of employees. However, health and safety may be at risk if the emergency is a flash flood, a fire or a pandemic. Organizations need to develop emergency plans that both safeguard people from harm and maintain the continuity of key business processes.

Watkins and Bazerman (2003) offer some practical suggestions to aid identification of predictable surprises. For example, groups of managers might ask themselves: 'What predictable surprises are currently brewing in our organization?' They observe that this might seem an obvious question but, in their experience, it is one that seems to be rarely asked. They also recommend scenario planning, which involves constructing plausible scenarios for potential surprises that could emerge over, say, the next two years. Scenarios are also discussed in Chapter 13, where the use of 'consequence scenarios' to identify the potential effects of a range of different disruptive events is considered.

Prioritization of predictable surprises

Recognition is important but it is not sufficient. While managers may be aware of one or more predictable emergencies, they may underestimate the associated risks and consequential losses and, therefore, focus their attention on other matters. Alternatively, they may be aware of predictable emergencies but be so overwhelmed by the number of possibilities that they shy away from developing a viable response, often because they fear that the costs involved would be unaffordable.

While it may not be possible to plan for every conceivable emergency, some degree of business continuity planning is essential. Prioritization, based on a risk assessment that combines a systematic assessment of the probability of possible emergencies occurring, a realistic estimate of the costs of not planning for each identified emergency, and a credible appraisal of the benefits that might be gained from responding effectively can help those who are responsible for developing business continuity plans to decide which potential emergencies need to be prioritized and how they should prepare.

There are many risk assessment tools available. One example is the hazard vulnerability analysis tool, developed by Kaiser Permanente (2017). It is widely used by hospitals in the USA to identify predictable hazards from multiple sources. A risk factor is calculated for each hazard by ranking probability, human impact, property impact, business impact and overall preparedness. Another example is the all hazards vulnerability matrix (Change Tool 13.8).

Development of a business continuity plan

Developing a business continuity plan involves planning for mitigation, preparedness, response and recovery (Baird, 2010):

- *Mitigation*: involves taking steps to prevent, reduce the likelihood or minimize the consequences of any disruption. For example, when locating a new facility in an area prone to earthquakes, the building might be constructed using designs and materials that can withstand serious tremors, a sprinkler system might be installed to prevent the spread of fire and insurance might be arranged to cover earthquake damage.
- *Preparedness*: involves drawing up plans, in advance, for dealing with those issues that mitigation measures cannot prevent. For example, it might involve specifying a chain of command and identifying who will be responsible for each element of the response, developing an evacuation plan to cope with a chemical spill, or a manual workaround to cope with an IT system failure. It might also involve stockpiling components or materials and the installation of equipment such as fire extinguishers and backup generators.
- *Response*: involves the activities that need to be executed during the emergency to manage the effects of the incident that threaten life, property, operations or the environment; for example, mobilizing designated emergency staff and implementing predetermined plans to manage the unfolding situation. Responding also includes actions to reduce the probability of secondary damage, for example shutting off contaminated water supplies and cordoning off areas to prevent injury, and actions designed to speed recovery, for example damage assessment.
- *Recovery*: focuses on assessing, locating or acquiring the resources required to stabilize the situation following an emergency and developing plans for returning to normality. A gap analysis can identify areas where current capabilities are insufficient and need to be supplemented by additional resources; for example, equipment or space may be leased from

EXAMPLE 11.2 Morgan Stanley's emergency planning at the World Trade Center

Coutu (2002) illustrates how the investment bank Morgan Stanley, following the 1993 terrorist bombing of the World Trade Center in New York, recognized that the Twin Towers could be a target for a second attack, so it developed an emergency plan to protect its 2,700 staff working across 22 floors, and to support business continuity.

On 11 September 2001, terrorists crashed a hijacked plane into the north tower and within one minute Morgan Stanley had implemented a well-practised evacuation drill. When a second plane crashed into the south tower 15 minutes later, Morgan Stanley's offices were largely empty. Only seven employees were lost.

For a bank like Morgan Stanley, business continuity is very dependent on technology, so the recovery plan included an investment in three recovery sites where, following an incident, in this case the terrorist attack, staff could assemble and, eventually, resume business.



Getty Images/INCHANT

third parties, operations interrupted by damage to machinery, flooding or other disruptions might be relocated to an alternative site and, as was often the case during the COVID-19 pandemic, people may be encouraged to work from home.

The approach outlined here reflects the traditional way of preparing for predictable emergencies, which involves identifying risks and developing business continuity plans. An alternative approach, considered in Chapter 13, involves increasing an organization's resilience and focuses on the capabilities and capacities that enable systems to successfully cope with and learn from unexpected events.

USING OAKLAND'S FIGURE OF EIGHT FRAMEWORK TO PREPARE AND REVIEW PLANS FOR CHANGE

Oakland (2013) has developed a figure of eight framework for change that can provide a useful template for assessing whether early preparation and future planning for implementation will lead to a successful change (see Figure 11.6).

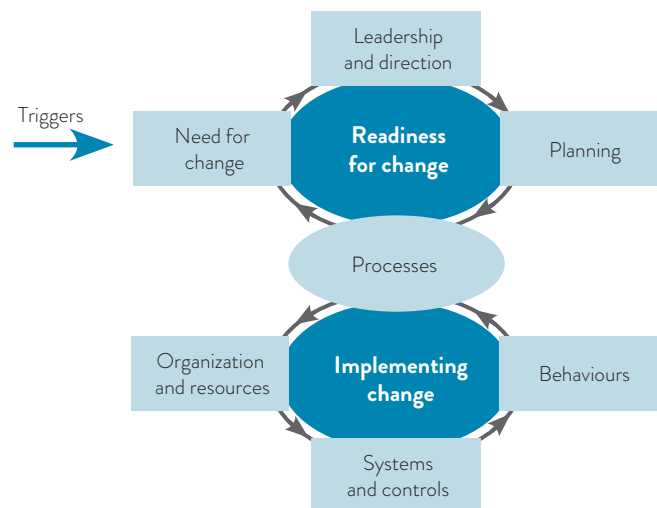


Figure 11.6 Oakland's figure of eight framework for successful change

Source: J. Oakland, 2013, *Managing Change in Practice*: John Oakland, video, available on the companion website to this book.

Those leading change can use the top ring of the model to determine whether their plan gives sufficient attention to generating a readiness for change. For example, does it include actions that will help to create a shared appreciation of and commitment to the need for change, and is attention given to helping change recipients develop an understanding of the priorities for change?

The bottom ring of Oakland's model can be used to help plan for implementation. Any and every change requires the implementation of new, or modification of existing, processes. The organization and resources need to be assembled around this new process architecture; systems and controls need to be aligned to ensure that people understand their responsibilities, accountabilities and who they need to keep informed; and this understanding needs to drive the new behaviours that will be required to deliver the change.

The figure of eight framework can help those leading change to understand the consequences of not attending to each element of the model. Figure 11.7 shows what could happen if insufficient attention is given to the three elements in the top half of Figure 11.6. Leaders can use the signs and symptoms listed in the right-hand column to identify the strengths and weaknesses of their



Figure 11.7 Readiness to change

Source: J. Oakland, 2013, *Managing Change in Practice*: John Oakland, video, available on the companion website to this book.

plans for change. If the need for change is not properly understood, there will be no urgency and no action; if leaders provide insufficient direction, the change will not get started; and if early planning is inadequate, there will be false starts and unanticipated consequences.

Figure 11.8 illustrates what could happen if insufficient attention is given to the four elements in the bottom half of Figure 11.6.



Figure 11.8 Implementing change

Source: J. Oakland, 2013, *Managing Change in Practice*: John Oakland, video, available on the companion website to this book.

MANAGING CHANGE IN PRACTICE 11.1 John Oakland: Figure of eight framework to prepare and review plans for change

John Oakland is chairman of the Oakland Group and Emeritus Professor of Business Excellence and Quality Management at Leeds University Business School.

Visit the book's companion website at bloomsbury.pub/hayes-change-management-6e to watch John Oakland talking about how he has used this figure of eight framework in his consulting work with a wide range of organizations.

Before you watch the video, reflect on your own experience of introducing change, at work or elsewhere: Which is more important for ensuring the success of a change: creating a readiness for the change, or managing how the change is implemented?

✓ EXERCISE 11.2 Seven symptoms of poor planning

Think about a change you have observed, experienced or led at work or in some other organizational setting such as a sports club or university society. Was there any evidence of Oakland's seven symptoms of poor planning (as shown in Figures 11.7 and 11.8)? How could the plan for change have been improved?

SUMMARY

Those leading a change need to plan how they will move from the pre-change state to the post-change state. During this period, many of those involved will have to keep the old system going while learning how to work with the new system and develop the work roles and relationships that will have to be in place when the new system is up and running.

This chapter looked at some of the tasks that need to be incorporated in the change plan and considered the need to develop plans for predictable emergencies.

The chapter closed with a discussion of Oakland's figure of eight framework and how it can aid the preparation of plans and the assessment of whether they will lead to successful change.



TYPES OF INTERVENTION BASED ON WHO DOES WHAT

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Describe different kinds of intervention based on who does what.
2. Compare and contrast the relative merits of expert and facilitator led interventions.
3. Explain how to address the interdependencies between technical and social systems.
4. Describe what can be done to help individuals develop a sense of agency and self-efficacy.
5. Critically assess the contribution that positive thinking can make to improving individual and group performance.
6. Explain why group-based interventions provide an effective way of changing behaviour in organizations.
7. Outline the design of a system-wide intervention that could enable everybody to work together to improve performance.

Change efforts can be less successful than they might be because those responsible for managing the change are unaware of the full range of interventions that are available. Cummings and Worley (2001, p. 142) define interventions as ‘a set of sequenced planned actions or events intended to help an organization increase its effectiveness’. They are deliberate acts that disturb the status quo.

This chapter introduces a typology that classifies interventions on the basis of who does the intervening. Five types of intervention are discussed, as shown in [Table 12.1](#).

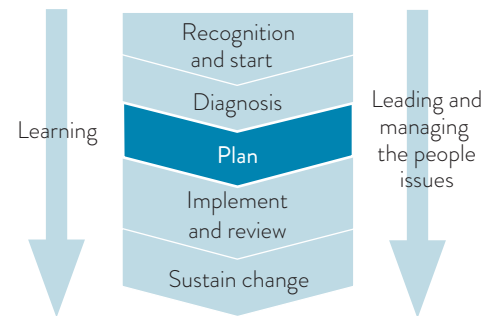


Table 12.1 Expert and facilitator led interventions

Experts using their expertise to diagnose problems and identify solutions	Facilitators working with clients to help them identify and solve their own problems
Experts applying scientific principles to solve specific problems	Facilitators working with individuals to help them develop the capability to identify and manage (solve) their own problems
Experts working to solve system-wide problems	Facilitators working with groups to help them develop the capability to identify and manage (solve) the group’s problems
	Facilitators working with everybody to help them improve the performance of the whole system

EXPERTS APPLYING SCIENTIFIC PRINCIPLES TO SOLVE SPECIFIC PROBLEMS

Fredrick W. Taylor published his *Principles of Scientific Management* in 1911, in which he advocated a systematic experimental approach to problem solving. His principles involved a careful analysis of tasks and experimentation to determine, from the perspective of efficiency, how the task should be divided into segments and how the work in each segment should be done. One of the most frequently quoted examples of Taylor's work involves an assignment at the Bethlehem steel plant designed to find the most efficient way of moving 100lb pigs (slabs) of iron from a loading dock into a railroad truck (a bogie). He enlisted the help of a pig iron handler called Schmidt and studied him while, on instruction, he moved the pigs in different ways. The outcome was an ideal approach to doing the job that also specified rest periods and included an incentive system that rewarded the job holder for working efficiently. The new approach increased productivity by 280 per cent.

Taylor's approach led to the widespread use of experts to solve problems. Early on, they tended to be employed as methods engineers to identify the most efficient way of accomplishing a task, and as time-and-motion analysts to set standard times for the completion of each segment of the work. Today, experts of many kinds are often brought in from outside a business unit or the organization to help when there is only the occasional need for a specific kind of expertise (and thus a permanent in-house expert cannot be justified), when the need is for cutting-edge expertise that might only be obtained from specialist departments or external consultants, or when a solution has to be found urgently and the quickest approach is to buy in external help. Expert help can be invaluable, but when experts adopt a prescriptive approach (see Chapter 15), members of the target system may not agree with their diagnosis of the problem and therefore may not be committed to implementing the prescribed solution. Also, members of the system may not learn how to solve the problem for themselves, so, should it reoccur, they will continue to be dependent on the expert for the solution. This is much less of a problem when the external expert acts as a facilitator to help those involved in the change develop the capability to manage this and similar problems for themselves.

EXPERTS WORKING TO SOLVE SYSTEM-WIDE PROBLEMS

Although, at the beginning of the twentieth century, experts like Taylor were mainly used to solve small-scale problems, others were also working on the development of organization-wide manufacturing systems, such as the introduction of the assembly line in 1913 by Henry Ford.

Following the impact of von Bertalanffy's (1955) seminal paper on the theory of open systems in physics and biology, engineers and social scientists began to pay more attention to organizations as systems of interrelated units that transact with a larger environment. (Some of the main implications of systems thinking for organizations are summarized in Chapter 8.) This led to the development of a new class of intervention and accelerated the shift away from solving isolated problems to looking at more systemic issues. Organizations began to employ experts such as operational researchers and systems analysts to lead this approach to problem solving.

During the Second World War, operations researchers had begun to use mathematical modelling techniques to improve military capabilities, and later these methods were applied to improve the efficiency of tasks such as scheduling air crews and the physical extraction of mineral ores from deep mines. Industrial engineers were also busy designing manufacturing and other technical systems for a wide range of organizations.

In the UK, social scientists at the Tavistock Institute of Human Relations, London began to develop interventions based on sociotechnical theory that involved changing the social and technical systems together. Much of their work was based on the principle that, in any situation, there is rarely one single social system (work relationship structure) that can be used to accomplish a given task. Usually, a number of such systems can be used to operate the same technology; thus there is an element of choice in designing work organizations (see Trist, 1969). This prompts the

question of which social system will provide the optimum conditions and contribute most to the outcomes valued by various stakeholders. The ground-breaking work on sociotechnical systems was undertaken by Trist and Bamforth (1951) in the UK coal mining industry (see Research Report 12.1).

RESEARCH REPORT 12.1 Sociotechnical systems

Trist, E.L. and Bamforth, K.W. (1951) Some social and psychological consequences of the longwall method of coal-getting, *Human Relations*, 4(1): 3–38.

The introduction of the longwall method of coal-getting into UK mines failed to achieve the level of performance improvements that had been anticipated. Trist and Bamforth investigated the impact of the new technology on the social quality of work at the coalface. Their research method involved following and maintaining relatively continuous contact with 20 coalface workers over two years. Group discussions with all grades of manager provided additional data.

Their findings indicated that the ‘room-and-pillar’ method, which preceded the longwall system, provided workers with greater social balance than the more mechanized system. The outstanding feature of the room-and-pillar system was its emphasis on small autonomous groups. It was common practice for two colliers – a hewer and his mate – to make their own contract with colliery management and work their own small section of the coalface, with the assistance of a ‘trammer’, who loaded the hewn coal into tram-tubs and removed it from the coalface. This group had responsibility for the complete coal-getting task, was self-regulating and could set its own targets, adjusting work rate to take account of age, stamina and changing working conditions. The choice of workmates was also made by the men themselves.

The introduction of coal cutters and mechanical conveyers required radically different work relationships. Colliers worked in units of 40 or more men along a single long coalface, and their work was broken down into a series of component operations that followed each other in rigid succession over three shifts. There were many close interdependencies between all the component operations. Failure to achieve 100 per cent performance on any task seriously disrupted the cycle, but despite this interdependence, workers were only qualified to perform their own task, had little or no contact with others, and had no sense of belonging to a whole work group. Trist and Bamforth documented many of the problems that workers had to contend with in this situation of ‘dependent isolation’ – where they were split off from any sense of belonging to either a shift or a total production group – and observed that one of the ways the miners adapted was to adopt a norm of low productivity.

Trist (1969) reports that the early ‘conventional’ longwall system eventually gave way to a ‘composite’ system, in which miners were multiskilled and worked in self-selected autonomous teams responsible for allocating themselves to the various jobs that management required the team to undertake. This increased flexibility allowed an oncoming shift to take up the production cycle at whatever point the previous shift had left it and carry on with whatever jobs had to be done next. This sociotechnical approach produced impressive improvements in both performance and the quality of work life for the miners.

The momentum of the majority of system-wide interventions has shifted away from redesigning just the technical system to interventions that target both the technical and social systems. This approach involves not only paying attention to physical infrastructure, tools and technologies but also to the people, working practices, roles, culture and goals that are important elements of the social system. Pasmore et al. (2019) also observe that when change agents, who are experts in sociotechnical system design, involve workers in their design decisions, there is lower resistance to change and higher levels of goal-directed behaviour. They argue that by inviting those closest to the technology to input into the design of the system and to exert some control over the

processes involved, workers did a better job than those farther removed. They also benefitted from the challenge, variety, feedback and teamwork that was involved in taking responsibility for the performance of the system.

Hughes et al. (2017) present the System Scenarios Tool (SST) as a change tool that can be used to help change agents work with others to design or redesign work systems. Central to the SST is the logic that all work systems are designed through a series of *choices*, which may have been consciously or unconsciously made.

The SST takes the format of a workshop, or a series of workshops. Key stakeholders are brought together from a cross-section of all stakeholder groups involved in the system, to work collaboratively through a set of staged discussions. Hughes et al. (2017) assert that the SST process is straightforward, and can be summarized in six broad stages:

1. Involve key stakeholders
2. Agree on the system parameters
3. Collect 'as is' data
4. Analyse the 'as is'
5. Consider the 'to be'
6. Make choices and agree action plan.

Hughes et al.'s (2017) paper presents two worked examples to illustrate how the SST can be used. The first focuses on the design of a system for delivering a health-related service via telecommunication technologies in patients' homes. The second illustrates how SST was used in a large manufacturing company to improve the performance of an interdisciplinary group of engineers working to improve process standardization across the engineering disciplines.

While most early systemic interventions were led by experts, many of those that were developed later, such as the SST, integrated representatives of the target system into the process of managing change. This development has been taken a stage further in whole system interventions, considered later in this chapter.

FACILITATORS WORKING WITH INDIVIDUALS TO HELP THEM DEVELOP THE CAPABILITY TO IDENTIFY AND MANAGE THEIR OWN PROBLEMS

Line managers, members of the change team or external consultants can work with individuals to help them identify and achieve goals that will support a change. This kind of intervention often involves coaching but can also involve similar activities such as mentoring and counselling. Coaching can be especially useful when it is judged necessary to help an individual prepare for a new role or improve their performance following a change. Bachkirova et al. (2014, p. 1) define coaching as: 'a human development process that involves structured, focused interaction and the use of appropriate strategies, tools and techniques to promote desirable and sustainable changes for the benefit of the coachee and potentially other stakeholders'.

A common focus for this kind of intervention is helping individuals identify and solve problems, but such interventions can also be used to help individuals identify and take advantage of opportunities or recognize and exploit their own strengths. The power of one-to-one coaching is highlighted by Paul Simpson when describing his work in a special metals business (see Managing Change in Practice 12.1).

MANAGING CHANGE IN PRACTICE 12.1 Paul Simpson: Using training and one-to-one coaching to deliver culture change

Paul Simpson works with companies to help them improve their performance. He has wide experience working as an HR and OD practitioner and was for many years chair of the Yorkshire HR Directors' Forum.

He offers some insights in his video into how training and coaching was used to help change the culture of a special metals business. The organization was failing to thrive, but over a period of three years turned itself around and became more profitable. The CEO and a new HR director decided that, in order to maintain this momentum, they needed to change the organization's culture, from a traditional top-down, directive management style to one that was more open and engaging and valued contributions from everyone across the whole enterprise. Paul engaged a firm of training consultants to work with the business to design and deliver a five-module training programme for the top 50 managers and directors over an 18-month period. His role was to support the top 50 and help them transfer what they learned on the training programme and embed it as a natural part of their everyday management style. He did this through coaching, one-to-one support and group facilitation.

Visit the book's companion website at bloomsbury.pub/hayes-change-management-6e and watch Paul Simpson's video in which he talks about using training and one-to-one coaching to deliver this kind of systemic change.

Before you watch the video, consider:

1. **How can training be used to help change an organization's culture?**
2. **What can be done to ensure that learning is transferred and used in the work situation?**

After watching the video, consider whether the training would have been as effective without Paul's follow-up coaching.

The role of coaching is also highlighted by Richard Fryer when describing his work at Norwich Union Life (see Case Study 6.1).

In Chapter 15, five modes of intervening to help others are discussed. It is noted that those occupying the helping role can often see a solution because they are more experienced than those they are helping, and this can encourage them to intervene by giving advice and telling others what to do. But, in many (most?) circumstances, this approach is less effective than alternative, non-directive ways of intervening. For example, telling others what to do can, as noted earlier, deprive them of the opportunity to learn how to solve problems for themselves.

Developing a sense of agency and self-efficacy

Interventions such as coaching, counselling and mentoring can be used to improve the way individuals perform when confronted by change. It was noted in Chapter 7 that when faced with change, people can lack confidence in their own ability to influence outcomes. This often happens when change requires employees to switch to new roles or prepare to take on a leadership role.

Individuals affected by change may need help to deliver an effective performance, especially when they lack confidence in their ability to affect outcomes. Bandura (1994) defines self-efficacy as a person's belief about their capability to produce a performance and influence events. The most important source of a person's sense of self-efficacy is their past experience. Successes, especially those achieved after encountering and overcoming obstacles, strengthen a person's belief that they can positively affect outcomes, while repeated failures undermine it. But personal experience is not the only source of self-efficacy, and this provides opportunities for helpers to intervene to help others develop greater confidence in their own ability to affect outcomes. They can do this in a number of ways:

- *Providing vicarious experience:* Mentors who have experience of and a record of success in leading change can become role models and provide others with a rich source of vicarious experience, modelling skills and strategies that will help them learn how to achieve desired

outcomes. This vicarious experience of mastery derived from observing others succeeding can encourage individuals to believe that they possess, or could develop, the capability to master similar situations.

- *Persuasion*: Line managers, members of the change team or external consultants, when acting as mentors, coaches or counsellors, can actively persuade others to believe that they possess the capabilities required to master challenging tasks. However, persuasion may not be successful if it involves giving overpositive appraisals because this can encourage people to develop unrealistic assessments of their own capabilities. And these can be quickly disconfirmed if their efforts fail to deliver intended outcomes.
- *Creating positive learning opportunities*: Bandura (1994) argues that successful efficacy builders need to do more than just provide positive role models and convey positive appraisals. They also need to structure situations so that the problems and opportunities individuals encounter will be both challenging and *achievable*.
- *Encouraging positive emotional states*: Self-efficacy is affected by a person's mood. A positive mood enhances a person's judgement of their capability and a despondent mood diminishes it. Moderate levels of anxiety and stress can encourage performance but, especially when people are very anxious, they can sometimes react by interpreting their anxiety as a sign of weakness and vulnerability, and this can inhibit their ability to perform. Helpers can protect a person's sense of self-efficacy by providing the kind of person-centred (as opposed to problem-centred) emotional support discussed in Chapter 15.

Positive thinking

Sometimes, well-intentioned helpers urge others to 'think positive'. They encourage managers to focus on the desired future state and avoid getting bogged down by dwelling on problems that could get in their way.

Sweeny (2017) acknowledges that there are many benefits from positive thinking, supported by solid research, but she believes that people can be too positive about the future. She argues that taking optimism too far can, in some circumstances, undermine the motivation to do the hard work that might be required to secure a desired outcome. For example, positive thinkers who have an overoptimistic view about their health and fitness may fail to take sufficient exercise, eat a healthy diet, present themselves for medical checks or participate in health screening programmes. She refers to research that indicates that those who worry about their health are more likely to seek out useful information, think about ways to prevent feared health outcomes and engage in healthier behaviours.

Oettingen (2014) also recognizes the benefits associated with positive thinking but, like Sweeny, argues that it can be problematic, especially when positive thinking leads people to focus all their attention on visualizing desirable end states ('positive fantasies') and ignore the journey required to achieve this desired future. According to Oettingen (2014), dreaming that is detached from reality does not work. She distinguishes between two types of optimism, one based on positive expectations that are grounded on past experience and the other rooted in wishes and desires. As noted above, Bandura found that the most important source of a person's belief in their ability to deliver a successful outcome is their past experience.

Oettingen (2014) reports several studies that suggest that realistic expectations based on experience can increase effort and achievement, but dreams that are not informed by experience often fail to translate into a motivation to act. While she recognizes the value of 'dreaming', she argues that this value can only be realized when individuals confront the realities that stand in the way of achieving their desired future state. She refers to confronting dreams as 'mental contrasting' and argues that contrasting dreams with the obstacles that must be overcome focuses attention on what needs to be done to achieve a desired goal.

Using ‘mental contrasting’ to weigh options and commit to a goal is the first step in Oettingen’s WOOP methodology for helping people realize their dreams (see Change Tool 12.1 below). The second step, based on ideas developed by Gollwitzer (1999), involves explicitly formulating ‘implementation intentions’ – detailed plans for attaining goals that embrace ‘if-then’ statements (‘If situation X arises, I will respond by doing Y’). Oettingen asserts that this methodology works because it prepares a person cognitively to pursue their wishes by linking the future and obstacles in their mind and explicitly formulating predetermined ways of responding to obstacles when they present themselves.

The WOOP methodology can be especially effective when some of the key obstacles are internal. For example, mental contrasting might help an individual recognize that, for them, a key obstacle is that they often shy away from asserting their point of view when trying to influence others. Later, when they are acting to achieve their goal, the ‘if’ of an if-then implementation intention can sensitize them to emerging problems. For example, they may recognize that they must confront an angry stakeholder who is opposed to a change they are trying to implement. The ‘then’ element of an if-then implementation intention can then trigger a quick predetermined response that may involve clearly stating their requirements to the angry stakeholder in a strong but non-aggressive way. A benefit of formulating ‘if-then plans’ is that individuals can act without having to invest too much time in the ‘heat of the moment’ consciously working out how they should respond.

CHANGE TOOL 12.1 WOOP

WOOP stands for wish, outcome, obstacle and plan. When considering a change, consider each in turn, and do so in this sequence:

1. *Wish*: dream about a more desirable end state, something you want to achieve.
2. *Outcome*: review your dream and refine what it is you hope to achieve.
3. *Obstacle*: list the obstacles (which may be internal/personal or external) that could prevent you from accomplishing your goal.
4. *Plan*: identify what you can do to overcome the obstacles you listed above.

Your plans can relate to any eventuality. For example, how will you manage competing demands when you have limited time and other resources? How will you win the support of those who will be affected by the change?

When making plans, use a set of ‘if-then’ templates to anticipate possible obstacles and responses:

If/when	[obstacle]
Then I will	[action to overcome the obstacle]

Review your WOOP and consider whether you need to adjust it. You might consider:

- Will the desired end state you wish for deliver the benefits you anticipate?
- Could you invest your time and effort better by pursuing alternative goals?
- Have you identified the real obstacles? Does your past experience or observations of others attempting to implement change suggest obstacles that you have overlooked?

Oettingen’s starting point is the need to rethink positive thinking and move beyond optimistic dreaming about how things could be. She believes that we need to pay more attention to identifying and managing the obstacles that could block the attainment of a more desirable end state. Her WOOP methodology is very effective but many of its key ingredients can also be found elsewhere. For example, the force-field change tool presented in Chapters 9 and 15 also highlights the importance of identifying obstacles (restraining forces) and developing action plans, and Egan’s (2004) three-stage helping model (referred to in Chapters 2 and 15) includes an assessment of the

current scenario (diagnosis), the development of a range of possible futures and the identification of a preferred end state (visioning), and the development and implementation of action plans (planning and implementation).

FACILITATORS WORKING WITH GROUPS TO HELP THEM DEVELOP THE CAPABILITY TO IDENTIFY AND MANAGE THEIR OWN PROBLEMS

Kurt Lewin and his associates at the Research Center for Group Dynamics at Massachusetts Institute of Technology began to produce evidence that supported the proposition that the behaviour, attitudes, beliefs and values of individuals are all based in the groups to which they belong. This led to the realization that groups can exert a strong influence over whether individuals will accept or resist change. A consequence was the development of new kinds of interventions that involved all members of a work group working together to solve problems. Interventions focused on changing the group's norms, roles and values.

Cartwright (1951) summarized eight principles, which emerged from the early research on group dynamics and influenced the design of this type of group-focused collaborative intervention. The first five are concerned with the group as a medium of change and how the group is able to exert influence over its members. The final three focus on the potential benefits of making the group the target for change, even if the prime aim is to change individual behaviour. Evidence suggests that by changing the standards, style of leadership and structure of a group, it is possible to change the behaviour of individual group members. The eight principles are:

1. **If the group is to be used effectively as a medium of change, those people who are to be changed and those who are to exert influence for change must have a strong sense of belonging to the same group.**

This implies that where the change agents are regarded as part of the group, and a strong 'we' as opposed to an 'us and them' feeling exists, those trying to bring about change will have more influence over others. Cartwright cites research findings that show that there is greater change in members' opinions when discussion groups operate with participatory rather than supervisory leadership.

2. **The more attractive a group is to its members, the greater is the influence that the group can exert on its members.**

Attractiveness promotes cohesiveness and a willingness, on the part of members, to conform with others when conformity is a relevant matter for the group. A group is more attractive to members the more it satisfies their needs. Some of the ways that group attractiveness can be increased include:

- increasing the liking of members for each other
- increasing the perceived importance of the group goal
- increasing the prestige of the group among other groups.

3. **A group has most influence over those matters that attract members to it.**

Research evidence suggests that in attempts to change attitudes, values or behaviour, the more relevant they are to the basis of attraction to the group, the greater the influence the group is able to exert on them. This helps to explain, for example, why a member of a local branch of a trade union might be willing to follow a union recommendation to engage in industrial action to influence the outcome of a pay negotiation, but refuse to join a wider political protest targeted at government policies. While some members might be attracted by the union's political agenda, others might not share the union's political affiliation. However, all may be attracted by the role the union can play in protecting their interests in the workplace.

4. The greater the prestige of a group member in the eyes of other members, the greater the influence they can exert.

The relevance of this principle, in the context of change management, is that the person who has greatest prestige and exerts most influence may not be the manager or formal leader designated by the organization. Also, in peer groups, the most influential person may not be the person who behaves in ways that are valued by superiors. For example, in a classroom situation, the teacher's pet may have low prestige in the eyes of other members of the class and will therefore have low influence over them.

5. Efforts to change individuals or subparts of a group, which, if successful, would have the effect of making them deviate from the norms of the group, will encounter strong resistance.

In many groups, the price of deviation is rejection. Consequently, especially where group membership is valued, there is pressure to conform to the norms of the group. This principle helps to explain why training interventions that involve taking individuals from different groups and training (changing) them often have a poor record in terms of transfer of learning back to the workplace when compared with training interventions that are directed at all members of a natural work group. Where the focus is on changing an individual, the individual may be reluctant to continue to behave differently after training for fear of rejection. Where the intervention is targeted at the whole group, this problem is less likely to arise.

6. Strong pressures for changes in the group can be established by creating a shared perception by members of the need for change, thus making the source of pressure for change lie within the group.

When groups are presented with 'facts' by an outsider, for example a manager, an internal or external consultant, even where, to the outsider, the facts 'prove' the case for change, the facts may not be accepted by the group. The group may reject the facts because it does not own them. When groups collect and test their own facts, they are more likely to accept the evidence. Cartwright notes that there appears to be all the difference in the world between those cases where external consultants are hired to do a study and present a report and those in which a technical expert collaborates with the group to help members conduct their own study. Often, external reports are not acted on, but are left to gather dust rather than stimulate lasting change.

7. Information relating to the need for change and the consequences of change, or no change, must be shared by all relevant people in the group.

This principle is about getting people talking about the need for change. Changes can be blocked unless action is taken to improve communication. Evidence suggests that where the prospect of change creates feelings of threat, mistrust or hostility, people avoid communicating openly and freely about the issues that concern them. Just at the point when the need for communication is at its highest, people act defensively and communicate less.

8. Changes in one part of the group or system produce strain in other parts of the group or system that can be reduced only by eliminating the initial change or bringing about readjustments in the related parts.

This principle is about alignment. For example, a training programme that has produced changes in one subgroup, say nurses working on a hospital ward, will have implications for other subgroups working above, below and around them as part of the total group of people dealing with patients on that ward.

Many group-based interventions draw on these principles. Most aim to deliver improvements by locating decision making and problem solving as close to information sources as possible, increase members' sense of self-direction and self-control, and help everybody involved manage their problem solving according to relevant objectives rather than embedded past practices (Friedlander and Brown, 1974).

Action research

Action research offers an example of how a facilitator can work with a group to help members develop this kind of approach to problem solving. It is based on the premise that people learn best and are more willing to apply what they have learned when they manage the problem-solving process for themselves. It extends the diagnostic process presented in Chapter 8 to include designing and implementing actions and evaluating how effective they were.

It is a collaborative process because:

- many people may have information relevant to the problem
- their 'rich knowledge' about issues might be different to an outside consultant's understanding of reality
- involvement promotes psychological ownership of the problem
- involvement facilitates the implementation of the action that has been planned.

Action research involves successive cycles of action and evaluation. Following the first cycle, the original hypothesis about cause and effect and the action taken to improve the situation are evaluated through a further cycle of data gathering, feedback and analysis. This evaluation might suggest ways of refining the original hypothesis, or the implementation of alternative actions, or it might prompt the formulation of a completely different hypothesis regarding the nature of the problem. And so the process continues. Example 12.1 provides an example of how the process can unfold in practice.

EXAMPLE 12.1 Action research at Freedman House

Freedman House is a 10-bed voluntary hostel for ex-offenders who have recently been released from prison. The initial energy for the Freedman House project had come from probation officers who worked in the community to rehabilitate offenders. They were aware that of the 250 people from their city who were committed to prison each year, over 20 per cent had no fixed abode. Many had been to prison before and homelessness was identified as a factor contributing to their recidivism.

One of the probation officers noticed that there were two uninhabited houses near the city centre that had been boarded up for some time. He thought they might provide the possible basis for a hostel and brought the idea to a volunteer group attached to the local probation office. The group agreed to establish a working party, which eventually obtained planning permission to convert the houses into a hostel. Their next step was to call a public meeting, elect a management committee and launch a fundraising campaign. The committee worked with enthusiasm, but because cash was short, it was impossible to employ contractors to undertake all the necessary work, so members and volunteers did much of the work to convert the houses.

Eventually, a warden was appointed, the first residents selected and the hostel opened. Unfortunately, this was a short honeymoon, soon to end with the premature departure of the first warden. The hostel had to close until a replacement could be found.

A few months after the hostel was reopened, the office holders of the management committee decided it was time to take stock and identify priorities to carry the project forward. A national charity concerned with the welfare of offenders agreed to sponsor a consultant to facilitate this work. The office holders had an initial meeting with the consultant, where they provided him with a brief history of the project and outlined, in broad terms, the kinds of issues they felt needed to be addressed. While a number of the group were familiar with action research, some were not and had expected the consultant to introduce them to 'best practice' and offer advice. This minority was a little uncomfortable with the consultant's proposal that he would act as a catalyst to help them move forward, but, as the meeting progressed, they warmed to the idea and



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it was agreed that the group would take the proposal to the next meeting of the full management committee. The full committee agreed to embark on the project and mandated the lead group of office holders to work with the consultant to begin data gathering.

The lead group and consultant discussed the kind of information they would need to help themselves and the full committee understand how the ‘system’ currently operates, identify problems and explore what could be done to improve matters. They also thought about what they needed to do to gather this information and who should be involved. Because all the group had ‘day jobs’ elsewhere, they invited the consultant to take the lead collecting data. His conversations with the warden and members of the management committee focused on the goals of the hostel, the hostel organization, strengths and weaknesses, decision making, communications and ‘important issues’. Interviews with residents focused on the goals of the hostel, their expectations before arrival, what it was like now, and what they would change.

The way the process unfolded is shown below in Figure 12.1. A number of issues emerged from the initial feedback meeting. These were: finance; the relationship between the management committee and the warden; the management committee’s contact with residents; the liaison officer’s role; the original vision versus current reality; and the future role of the management committee.

There was insufficient time to work on all these issues at the first meeting, so attention was focused on the management committee’s relationship with the warden, their contact with residents and the role of the liaison officer. As a first step, it was agreed that only the liaison officer would visit the hostel on a regular basis. However, it was agreed that he could visit unannounced, at least on some occasions, in order to reassure the committee that all was well. With regard to the warden’s role, it was anticipated that reducing visits from committee members would allow the warden more freedom to get on with managing day-to-day matters. The committee also asked the liaison officer to work with the warden to review their relationship and how this might be changed to improve the way the hostel was managed. Figure 12.1 shows the action research process in diagrammatic form.

Taking action to improve relations between the warden, liaison officer and management committee was not an easy or comfortable process, but some progress was made. The warden wrote and circulated a frank report for the committee, in which he aired a number of delicate issues that, up until then, had been avoided by all parties. The committee responded by arranging a special meeting with the warden and sharing some of their concerns about the way he ran the hostel and related to members of the committee.

Working on these issues raised a number of concerns, chief of which was that the warden might ‘take umbrage’ and leave, but almost everybody felt that the free discussion at the special meeting and the respectful way in which it was managed produced some positive outcomes. It helped to improve relationships, reassure the committee that the warden

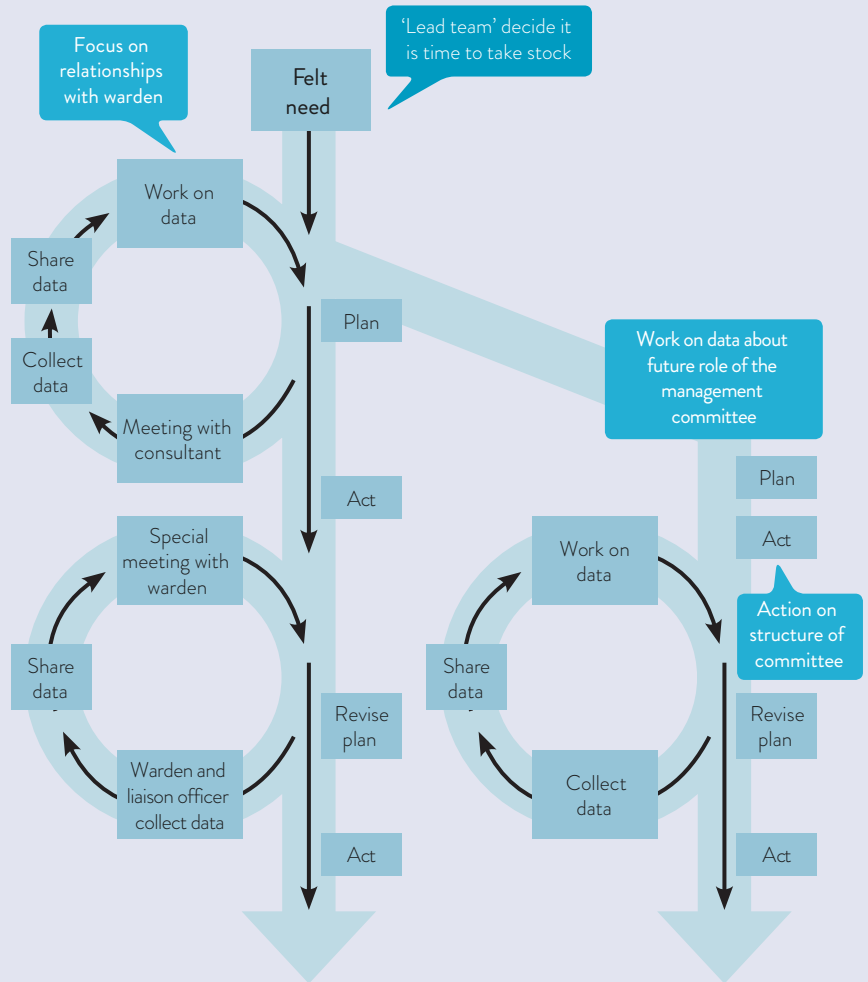


Figure 12.1 The action research process at Freedman House

was both competent and committed to the committee's strategy, and reassured the warden that he had the committee's support for what he was trying to do.

While this was happening, the management committee also met to work on some of the other issues identified at the first meeting of the full committee. Attention was focused on the future role of the management committee. It was agreed that the project had entered a new phase and the existing, large management committee was no longer appropriate. Instead, there was a need for a smaller core group supported by a wider network of 'friends', and a separate subcommittee focused on fundraising to finance day-to-day operating expenses. It was at this point that the consultant began to withdraw, leaving the original lead team to take matters forward.

The action research process sometimes focuses on natural work groups – employees working in the same workspace and performing related or similar work – and sometimes brings together people who do not have close working relationships. In both settings, but especially the latter, it is not always easy to get members of the group to work together to identify and solve problems. The Axlerod canoe (Change Tool 12.2) provides a useful guide for managing meetings in a way that encourages maximum involvement.

Team building

Team building is a group-based intervention that can be used to improve goal setting, develop more effective working relationships, and clarify members' roles and responsibilities.

Process analysis and process consultation aim to help organizational members improve their understanding of how they work with others to accomplish tasks. A facilitator works with a group as it goes about its normal business and then, from time to time, calls time out and helps participants reflect on issues, such as how they share information, make decisions, set priorities, influence each other, and review their performance.

A useful framework for managing meetings in a way that encourages maximum involvement is provided by the Axlerod meeting canoe (Change Tool 12.2).

CHANGE TOOL 12.2 The Axlerod canoe: a blueprint for getting people involved in meetings

The meeting canoe, shown in Figure 12.2, is a blueprint for making meetings dynamic and energy creating rather than spirit sapping and energy draining. The canoe represents the opening up phase, the body of the meeting and the closing down phase.

The six steps are as follows:

1. *Start by making people feel welcome:* Pay attention to how you greet people, make them feel welcome. Also pay attention to seating arrangements. A circle or semicircle may work better than seating people in rows with senior people at a top table.
2. *Find ways to create connections among people:* Conversations help us to connect. Find a way to get everybody to engage with others. If they are strangers or semi-strangers, you might start by asking them to share something about themselves that others may not know, or initiate a quick once round the group with people saying why they are there or what they hope to get out of the meeting.

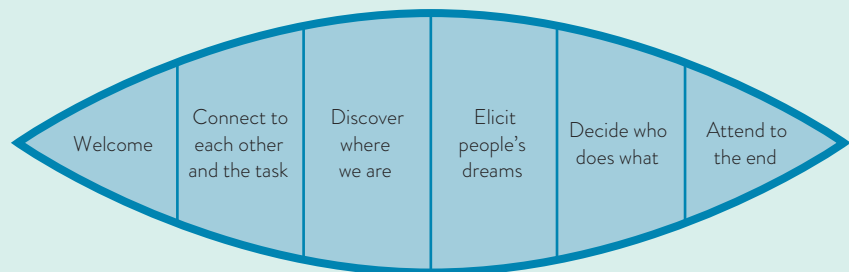


Figure 12.2 The meeting canoe

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3. *Discover the way things are: build a shared picture of the current situation:* How you do this will depend on the purpose of the meeting. If the purpose is to explore alternative futures, you might begin by asking people to explain where they fit in and what their job is in order to help them understand better how the system currently operates.
4. *Elicit people's dreams: build a shared picture of where you want to go:* One way of doing this is to get people to pretend it is five years on and ask them what they would like to be telling outsiders about what the organization has become. For example, what is it like working here or what is it like being one of our customers? Pay attention to the themes that emerge. Is there a shared picture?
5. *Decide who does what to create the future you've agreed on:* Clarify how decisions will be made – consensus, majority vote or by the leader. Identify what needs to be done. Sometimes brainstorming can help. Finally, decide who will do it.
6. *Attend to the end:* Put as much thought and attention into saying goodbye as you did to saying hello. You might end by reviewing decisions and agreements, so that everyone is sure what has been decided and what the next steps are.

Intergroup interventions have also been developed. Often, one or more groups are required to work together to accomplish important tasks. Sometimes this kind of interaction works well, but sometimes it can be difficult because each group sees itself without fault and the other as inefficient or hostile. Negative stereotypes develop and communication becomes difficult. The organization mirror (Change Tool 12.3) is an intervention that can help a unit or department see itself as others see it and use this new awareness to improve its working relationships with other groups. Essentially, data are gathered from other units or departments and fed back to the focal unit for consideration. Typically, members of the other groups are present when the data are fed back and participate in the analysis and discussion.

CHANGE TOOL 12.3 Organization mirror

Before the mirror meeting

The person facilitating the process works with the focal group to help members understand how they fit into the business and identify the other units that are affected by what they do. Representatives of these 'outsider' groups are invited to meet the focal group and provide feedback. The facilitator may interview these representatives before the meeting to gain a sense of the key issues and brief them on the process.

The mirror meeting

The leader of the focal group welcomes the representatives of 'outsider' groups and invites them to give their feedback. The outsiders sit in an inner circle with members of the focal group forming a second outer circle – a configuration often referred to as a 'fishbowl'. Those on the outside listen as those in the fishbowl share their views about the focal group. Members of the focal group observe and listen but do not intervene.

The two groups then change places and members of the focal group, now in the fishbowl, talk about and seek to understand what they have heard, asking for clarification if required. The aim, so far, is to uncover problems, not to work on them.

The next step begins by prioritizing the issues that have been uncovered and identifying what needs to be done to improve the effectiveness of the focal group. This is done by subgroups, each comprising members of the focal and outsider groups.

The total group then convenes to share views, formulate action plans, and agree who needs to do what by specific dates; some actions may require joint work by insiders and outsiders.

Another intervention, developed by Beckhard (1969), offers a method for managing differences between groups. Details of this intervention can be found on the book's companion website: bloomsbury.pub/hayes-change-management-6e.

WHOLE SYSTEM INTERVENTIONS TO IMPROVE CAPABILITY FOR FUTURE PERFORMANCE

Two examples of whole systems interventions will be considered here: survey feedback and whole system in the room conferences.

Survey feedback

Rensis Likert and colleagues at the Survey Research Center at the University of Michigan developed the 'survey feedback intervention'. It involves using surveys to systematically collect information from members of an organization (or a department within an organization). After it has been collated, it is fed back to all those who participated in the survey. It is this feeding back of information that differentiates survey feedback interventions from attitude surveys. Attitude surveys are usually commissioned by senior managers who use the information generated to monitor what is going on and make decisions. Survey feedback is a more collaborative intervention.

The process starts with senior managers working with a facilitator to design the survey. They may develop their own survey instrument, which may be informed by one of the diagnostic models discussed in Chapter 8, or adopt a commercially available one and use it to collect information from all, or a sample, of organization members. The BBC used the Burke-Litwin model (discussed in Chapter 8) to design a survey instrument; examples of some of the questions are presented in [Table 9.1](#).

With this kind of survey, the facilitator receives and tabulates the results and starts the process by sharing the data with top managers. After the top management group has worked on the data, identified issues that need attention and started to make plans to deliver improvements, each member of this senior group cascades the survey data down to the next level and introduces and discusses the data with members of their own work groups. Members of these groups, after reviewing and working on the data, continue to cascade the process down the organization by working on the data with their own groups, and so the process continues.

Cummings and Worley (2001) observe that sometimes this process can be reversed and occur as a bottom-up rather than a top-down process. In this case, the process starts by feeding back the data to work groups or departments lower down the organization and members of these groups work on the data to address issues over which they have some control. They are also invited to discuss issues that are beyond their power and authority to resolve and forward suggestions for improvement up the organization to their managers. The next step involves these managers sharing and working on these suggestions with peers in their own (more senior) work groups, and so the process unfolds up the organization.

Cummings and Worley (2001, p. 134) describe the guidelines used to brief the facilitators who were tasked to roll out a large survey feedback intervention in the telecommunications industry in California. The key points of these guidelines, together with observations from French and Bell (1978) and Bowers and Franklin (1972), are summarized in Change Tool 12.4.

CHANGE TOOL 12.4 Facilitator brief for survey feedback intervention

This brief addresses two issues: pre-meeting preparation and facilitation of problem solving during meetings.

Pre-meeting preparation

- *Distribute copies of the feedback report* to members before the meeting so that they can think about the findings in advance. This will give them time to identify any discrepancies between the way they see the situation and the picture presented by the survey's findings or confirm their view that there are problems that need to be addressed.
- *Think about substantive issues in advance.* Although the facilitator should not lead the discussion and tell others what the important issues are, it can be helpful if they have formulated a view about what the data suggest is

important. This might relate to the group's strengths and weaknesses or the circumstances it has to contend with. Given this preparation, as the meeting progresses, if the group focuses attention on just one issue, or if issues are being avoided, the facilitator might be able to gently nudge the group to at least consider whether there are other issues that merit their attention.

- *If you anticipated that the group is likely to deny the validity of some of the data and/or be defensive, consider how you might persuade members to confront these difficult issues.*
- *Plan how you will introduce the meeting.* You might explain that the first step is to review the data before moving on to using the data to identify issues and develop plans for managing these issues and resolving problems.

Using the feedback for problem solving

1. Consider the best way the group can review the data contained in the feedback report. It might be helpful to discuss the data in digestible chunks, stopping at appropriate points to see if anybody wants to comment or seek clarification before moving on.
2. Facilitate discussion of the data by asking questions such as:
 - Do you have any questions about what the data mean?
 - Does anything in the data surprise you?
 - What do the data tell you about how we are doing as a group/department?
3. Help the group to understand the meaning of the data by sharing your observations about how they are working on the feedback:
 - What I hear some of you saying is Do you all agree with that?
 - Is it a problem that needs to be addressed?
4. Help generate possibilities for action by asking:
 - What are some of the things we can do to resolve the problem?
5. Keep the group focused on what members can do to deliver improvements. Many groups find it easier to discuss what other groups or senior managers need to do rather than consider what they can do. Some statements and questions that might help are:
 - There may be lots of things that others need to do, but what do the data say about this group and what we need to do?
 - What are the things under our control that we can do something about?
6. Be prepared for problem-solving discussions that are only loosely related to the data from the survey. A group may not be motivated to systematically go through the data and may pick on issues that are of particular concern, or use these issues to trigger discussion of related issues not raised by the survey feedback. While it is important to consider the survey data, some discussion of other issues might be helpful, insofar as it helps the group to understand itself better and engage in constructive problem solving. But it is important to keep the group focused on what members can do to deliver improvements and try to ensure that it does not focus on some 'easy' issues as an excuse for not confronting others that may be important but difficult.

WHOLE SYSTEM IN THE ROOM CONFERENCES

Strategic search and other whole system in the room conference interventions have gained popularity over the past 40 years. Five principles that underpin the whole system approach are summarized below:

1. *Parallel organization versus 'whole system in the room' approaches:* The effectiveness of attempts to introduce change, especially at the strategic level, is dependent on the actions and behaviours of everybody affected by the change. Therefore, wherever practicable, everybody should be involved in the change process. A typical intervention used to develop a shared vision and agree a strategic plan is to set up a temporary parallel organization involving representatives from different groups (and levels) across the regular organization to work together in various committees and task forces to produce the desired output. It is assumed that this kind of

approach creates a wide feeling of involvement and gains the commitment of all organizational members. Often, however, only the representatives and those close to them feel involved. While this minority may become excited and passionate about the changes, others may feel left out and unable to influence developments. This can undermine their commitment to the vision and strategic plan produced by this process.

An alternative approach, embedded in the whole system in the room or conference model, involves a significant part of the whole system rather than a parallel organization of representatives. This permits everybody to contribute. It is not uncommon to accommodate 500 or more members of the organization in a single conference. In large organizations, several conferences may be required, with some mechanism for integrating the findings from the different meetings at key stages.

2. *Problem-solving versus preferred future approaches:* Lippitt (1983) argues that trying to 'fix the past' by problem solving depletes energy, whereas focusing attention on planning for a new future releases energy. Lippitt also found that the preferred futures approach was associated with higher levels of energy, greater ownership of the situation, and more innovative and future-oriented goals and plans. The focus of whole system approaches tends to be on what the organization might become, rather than the current problems that need to be solved.
3. *Organizational biographies – understanding the past and present as a basis for exploring a preferred future:* All too often, organizational members are unaware of the assumptions and consistent patterns that guide how they interpret and respond to situations (see the discussion on this point in Chapter 1), yet these assumptions and consistent patterns may blind them to threats and opportunities and lead them to develop unrealistic strategic plans. What an organization is today has been influenced by the way organizational members have interpreted and responded to opportunities and threats in the past. But organizations are not victims of the past. It is possible to learn from past experience and use this learning to challenge and modify assumptions, identify new possibilities, and what needs to happen if these possibilities are to become reality.
4. *Overcoming resistance to change:* Change occurs when organizational members experience a tension that results from a discrepancy between their awareness of current reality and their desired future state (Fritz, 1984). They are motivated to reduce the tension by acting in ways that will help the organization move towards the more desired future state. The conference method is designed to create this necessary tension across the whole organization. The conference method involves a process that openly explores organizational members' satisfaction with the status quo, develops a clear vision of future possibilities, and identifies practical first steps in order to motivate people to change.
5. *Open systems planning:* Jayaram (1977) and others strongly advocate open systems planning. In the conference method, external stakeholders, such as suppliers and customers, are invited to contribute their views about the organization's current performance and the opportunities and threats it will have to respond to in the future. This kind of input enriches the database available to organizational members. Essentially, large group methods involve getting people together to deal with issues of importance. These issues might relate to problems affecting performance in a particular organizational unit, managing relationships with customers or suppliers, or the future of the whole system. Alban and Bunker (2009) suggest that they tend to be most effective where the issue affects the whole system, is important to the organization's future, would benefit the organization to have broader ownership of the issues, and where new and creative ideas are required. Large group methods can help promote bottom-up change but they can also form part of a management-led initiative and do not need to take away management's responsibility for charting the way forward.

Change Tool 12.5 illustrates a template for this kind of 'whole system in the room' intervention.

CHANGE TOOL 12.5 A conference method for developing a ‘preferred future’

The conference method is a process involving one or more meetings of organizational members, and other stakeholders as appropriate, to:

- examine key issues affecting the organization’s future from a variety of perspectives
- learn from each other
- develop a shared understanding.

This shared understanding can be used either to facilitate real-time decision making by the organizational members participating in the conferences, or as an input to guide the decision making of a smaller strategic planning group.

Elements of the conference method

The details of the process will differ depending on circumstances, and will normally be decided by an in-company design team, facilitated by a consultant. However, the elements of the process typically include the following steps:

- 1. Past:** development of a shared understanding of the organization’s strengths and weaknesses and opportunities and threats at an agreed point in time, say, three years ago.
- 2. Present:** exploration of the organization’s current strengths, weaknesses, opportunities and threats, as perceived by organizational members and external stakeholders.
- 3. Lessons about change:** assessment of how the change (from past to present) was managed. Key questions might be: What did we get right? What might we have done better?
- 4. Futures:** development, by a number of subgroups, of a range of alternative visions of the future, based on the views of organizational members and external stakeholders.
- 5. Criteria:** examination and critique of these alternative visions to identify the criteria that should be used for selecting a ‘preferred future’. (Justifying choice when voting for preferred futures can help to surface criteria.)
- 6. Shared vision:** generation of a shared vision of what a preferred, achievable future would be like.
- 7. Implementation plan:** development of a shared understanding about the best way of managing the change required to move to the desired future state, taking account of lessons learned from reviewing the management of past changes (step 3).

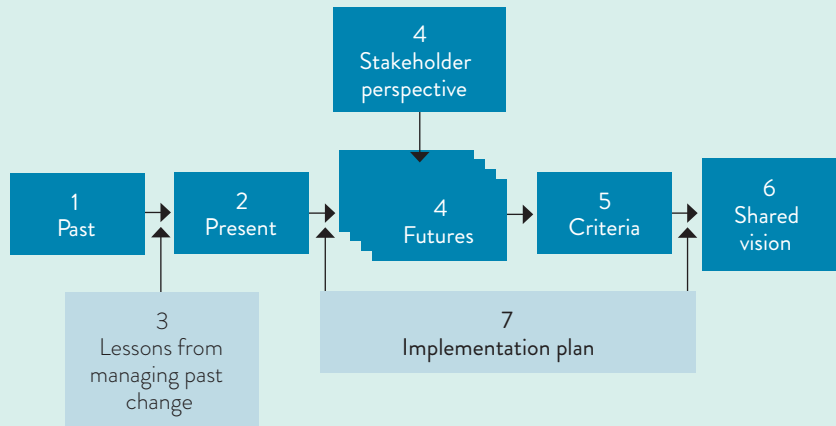


Figure 12.3 A conference method for developing a ‘preferred future’



Chapter 13 introduces an alternative typology for classifying interventions.

SUMMARY

Interventions are ‘a set of sequenced planned actions or events intended to help an organization increase its effectiveness’ (Cummings and Worley, 2001, p. 142). They purposely disrupt the status quo in order to move the organization towards a more effective state.

This chapter considers five types of intervention based on who does what. Two involve experts drawing on their expertise to diagnose local or system-wide problems and prescribe solutions. The other three involve facilitators working with individuals, groups or the whole system to help them identify and manage their own problems.



TYPES OF INTERVENTION CLASSIFIED ACCORDING TO FOCAL ISSUES

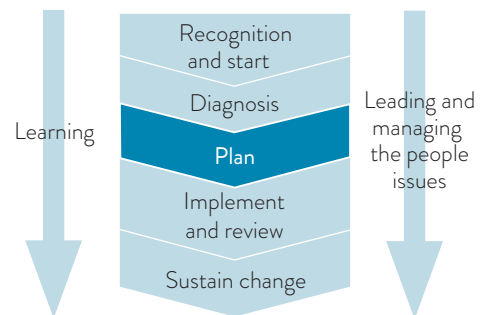
LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Classify interventions according to Cummings and Worley’s typology of focal issues.
2. Compare and contrast human process interventions that focus on amplifying best practice and interventions that focus on identifying and resolving problems.
3. Debate the relative merits of human resource interventions that focus on improving particular people management practices and those that focus on aligning separate practices with each other and with the organization’s strategic objectives.
4. Specify ways of intervening that will switch attention away from fragmented, functional-based thinking towards more cross-functional processes that create value.
5. Identify occasions where a strategic intervention that focuses on linking the internal functioning of the organization with the wider environment might offer a way of improving an organization’s performance.
6. Design an intervention to improve an organization’s resilience to cope with big-bang disruptions.

Cummings and Worley (2001) offer a typology for classifying interventions based on the issues they are designed to resolve. [Figure 13.1](#) shows these four types of intervention. Systemic interdependencies are indicated by the double-headed arrows. For example, implementing a technostructural intervention that changes some of the organization’s processes might have implications for the way employees will need to communicate or work together in order to solve problems.

Specific interventions within each of the four types can differ in terms of their intended target: individual, group, intergroup, whole organization or transorganization system. For example, there are sociotechnical interventions, such as process re-engineering, that could be targeted at a transorganizational system, a single organization, a number of functions or departments within an organization, or a single department; and there are other sociotechnical interventions that involve the application of specific lean tools, such as the seven wastes or the 5S methodology, across a single department or in a specific location within a department, such as a particular manufacturing cell.



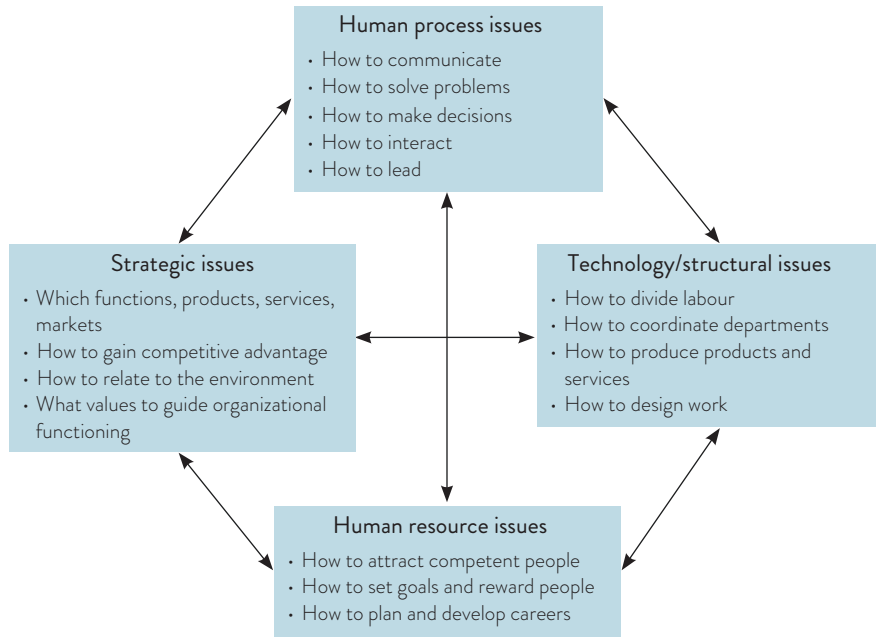


Figure 13.1 Cummings and Worley’s typology of interventions based on focal issues
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HUMAN PROCESS INTERVENTIONS

Human process interventions focus on people and the processes by which they accomplish organizational goals, such as communication, problem solving, decision making and leadership. Friedlander and Brown (1974) observe that most human process interventions are based on three assumptions:

1. Sharing information can be valuable.
2. Confronting and working through differences between people who must work together can enhance collaboration.
3. Participation in decision making can lead to increased commitment.

Several human process interventions have already been mentioned in Chapter 12. Team development and action research involve working with groups. Intergroup interventions, such as Beckhard’s process for improving group relations (available on the book’s companion website: bloomsbury.pub/hayes-change-management-6e) and the organization mirror, focus on managing the interface between groups, and survey feedback is a whole system intervention that involves groups discussing diagnostic data and planning action steps. Coaching and counselling are also human process interventions that can be used with individuals. Appreciative inquiry, another human process intervention, is discussed below. Culture profiling (discussed on the book’s companion website) can be used as a human process intervention to help manage relations between groups but is more often used as a strategic intervention to help managers select merger or acquisition partners.

Appreciative inquiry

Appreciative inquiry is a human process intervention that involves exploring the best of what is, or has been, and amplifying this best practice. It seeks to accentuate the positive rather than eliminate the negative; it focuses attention on what is good and working rather than what is wrong and not working.

The social construction of reality

Appreciative inquiry is based on ‘social constructionist’ thinking, which challenges the view that there is an objective universe ‘out there’ that is in some sense enduring and physically observable. It posits that reality is a social construction, that everything we experience and encounter is open to multiple interpretations. Many people perceive organizational life as problematic and focus their attention on ‘problems to be solved’.

Advocates of appreciative inquiry argue that our beliefs (social constructions) about organizations are open to revision and this revision can be facilitated by a process of collective inquiry, which involves appreciating the best of what is and using this to ignite a vision of what is possible: ‘What would the future be like if the best of what is became the norm?’ Whereas action research promotes learning through attending to dysfunctional aspects of organizational functioning (identifying problems, analysing causes, exploring solutions and developing action plans to manage these problems more effectively – principles that underpin many of the ideas presented in this book), appreciative inquiry seeks to accentuate the positive rather than eliminate the negative.

A methodology for intervening in organizations

The critical part of the intervention is the inquiry. The mere act of asking questions begins the process of change.

Bushe (1999) describes the process of appreciative inquiry as consisting of three parts:

1. *Discovering the best of ...* involves discovering the best examples of organizing and organization within the experience of organizational members.
2. *Understanding what creates the best of ...* involves seeking insights into the forces that lead to superior performance and what it is about the people, the organization and the context that creates peak experiences at work.
3. *Amplifying the people or processes that exemplify the best of ...* involves reinforcing and amplifying those elements of the situation that contribute to superior performance.

Appreciative inquiry, a widely accepted methodology for discovering, understanding and amplifying the best of what is, involves five steps, as shown in [Figure 13.2](#).

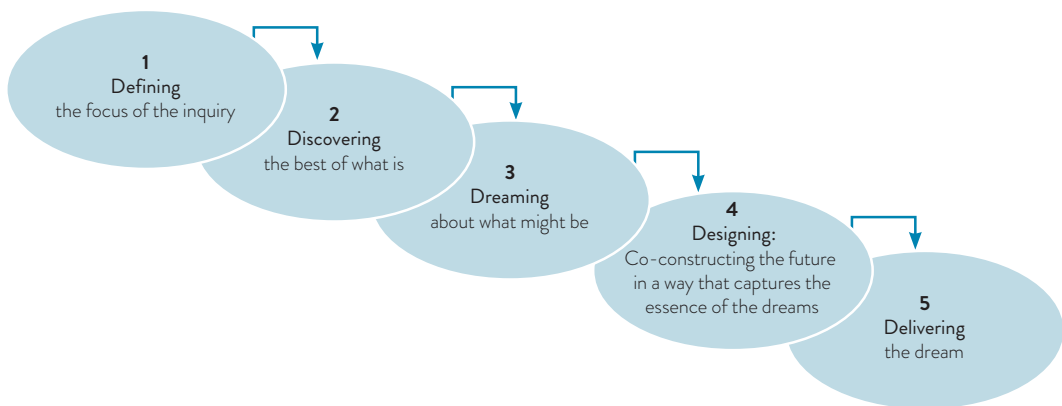


Figure 13.2 The five steps of an appreciative inquiry

The five steps of an appreciative inquiry are as follows:

1. *Defining the focus of the inquiry:* The inquiry needs to be defined in a way that focuses attention on the positive rather than negative aspects of people’s experience. For example, if an organization has an issue with high labour turnover, rather than focusing attention on why people leave, the inquiry might focus attention on why people choose to stay.

2. *Discovering examples of excellence and achievement:* Appreciative inquiry involves getting people to tell stories about the best of what is. It can involve pairs of people interviewing each other or a group of interviewers, each having appreciative conversations with 10 or 20 others. Change Tool 13.1 below provides a specimen appreciative interview schedule used by pairs, who took turns to interview each other, to clarify values at Hammersmith Hospital. Example 19.3 provides details of how appreciative inquiry was used as a bottom-up approach for identifying the organization's values at Hammersmith Hospital.

Whatever the format of the inquiry, the final step in this discovery phase involves sharing the stories that have been collected and identifying themes about the strengths of the organization. This can be done in a number of ways. Interviewers can verbally report their stories in an open meeting to all who have been involved in the inquiry process, or they can share their stories with a core group that has been tasked to interpret the data and identify important themes.

3. *Dreaming about what might be (visioning a better future):* Drawing on these themes to inspire a vision of a more positive future is the essence of the dreaming phase. Organizational members are encouraged to envision what the future might be like if the best of what is became the new norm. When organizational members have arrived at a consensus about their preferred future, the process moves on to the design phase.
4. *Designing: co-constructing the future to deliver the dream:* In order to facilitate the achievement of the vision, it has to be translated into a set of statements of intent. It is through the process of testing, redrafting and refining these statements that the possibilities for amplifying the best of the present (and past) are realized. These statements of intent become the design principles that are used, in the next step, to deliver the dream.
5. *Delivering the dream:* Sometimes, those leading the inquiry help organizational members to write implementation strategies and action plans, provide advice and monitor progress. However, moving the organization towards a more positive future does not necessarily require those leading the appreciative inquiry to get involved with the details of implementation. If the vision and its associated statements of intent are sufficiently compelling, they often not only generate the energy for change but also provide the guiding focus for individual and group initiatives and action taking across the organization.

CHANGE TOOL 13.1 A specimen appreciative interview schedule to help identify values across an organization

When designing an appreciative interview schedule, it can be helpful if, alongside each question, interviewers are provided with guidelines to help keep them focused on the positives and prompts to prevent the interview becoming mere social banter about the good times.

The questions, guidelines and prompts given to the interviewers who participated in the Hammersmith Hospital appreciative inquiry were as follows:

1. 'Reflecting back over your time with the trust, please tell us a story about when you felt most alive, excited or committed about being part of a team or the trust as a whole.'

Interviewers were advised to listen carefully to:

- what made the story an exciting experience
- the factors that contributed to making it a significant experience
- the interviewee's contribution.

2. 'Without being too humble or modest (feel free to boast), what do you value most about yourself as a person and your work at the trust?'

Interviewers were advised to help the interviewee to stay positive and encourage them to focus on strengths and values, not their weaknesses. Ruth Dunlop, who led the inquiry, found that people often said 'I am good at this but I need to improve that', probably because this is the kind of response that most appraisal processes encourage.

3. 'Based on your answers to the last question, could you give examples of how these values are demonstrated in the way you and others behave in the trust?'
Interviewers were advised to focus on concrete behaviours. For example, 'I value honesty in myself. This means that in practice I am open with my team and patients when breaking bad news.'
These first three questions were clearly focused on 'discovery'. The final question invited participants to engage in some 'dreaming'.
4. 'If you had just one wish that would improve how we deliver care for patients, what would it be?'

Source: Based on contributions from Ruth Dunlop.

Médecins Sans Frontières used appreciative inquiry to develop the organization (see Example 13.1). Example 13.1 and Example 19.3 demonstrate that appreciative inquiry can be adapted to provide a methodology for intervening in many different settings and for addressing a range of different issues.

EXAMPLE 13.1 Using appreciative inquiry for organization development at Médecins Sans Frontières

The secretary general of Médecins Sans Frontières (MSF) launched an organization-wide programme to 'unlock potential'. Eight cross-functional working groups were set up to look at how the organization functions and identify what MSF is best at doing in order to consolidate successes as a basis for leveraging further development.

The discovery phase involved the eight working groups collecting information, through interviews and surveys, and cascading this approach down the organization in order to ensure that everybody had the chance to contribute to defining best practice and developing ideas ('dreaming') about how to evolve new practices and procedures that will enable MSF to respond to new challenges.

MSF adopted this approach because it wanted to maintain its passion, maverick character and ability to go against the grain and help where others won't or can't. Appreciative inquiry was seen as a way of protecting these assets, and not stifling or suffocating them by pursuing a top-down, problem-centred approach. Senior managers recognized the need to further professionalize, but not at the expense of the culture and principles of MSF.



MANAGING CHANGE IN PRACTICE 13.1 John Hayes: Appreciative inquiry

John Hayes (the author) provides an overview of appreciative inquiry in a short video he made for Aarhus School of Business. You can watch this at the book's companion website, bloomsbury.pub/hayes-change-management-6e.

HUMAN RESOURCE INTERVENTIONS

Human resource interventions focus on people management practices and how they can be used to improve performance and integrate people into the organization. Examples include:

- *Career planning and development interventions* that help employees manage their own careers and prepare them to respond to the uncertainties and lack of job security that are increasingly a feature of organizational life.
- *Talent management and training interventions* used to achieve or re-establish alignment between the competences of organizational members and other elements of the organization, such as tasks, technologies and structures, which have changed or are predicted to change.

- *Workforce diversity interventions* that respond to the different needs, preferences and expectations of the various groups of employees who bring different resources and perspectives to the organization.
- *Employee wellness and stress management interventions* that promote the wellbeing of organizational members and contribute to the development of a productive workforce.
- *Performance management interventions* that focus on improving organizational effectiveness by aligning members' work behaviour with business strategy and workplace technology.

Two human resource interventions are considered here: talent management and high performance management.

Talent management

Talent management is fast becoming a priority in many organizations. McConnell and Schaninger (2019) report that 60 per cent of global executives who participated in a McKinsey survey expect that *up to half* of their organization's workforce will need retraining or replacing within five years, and an additional 28 per cent indicated that the problem could be even worse with *more than* half their workforce needing to be replaced or retrained over the same period.

Organizations can be long or short on talent for a number of reasons. Sometimes, the problem is that key members of the workforce are being poached by competitors offering attractive employment opportunities. In such circumstances, the appropriate response might be interventions to promote retention. Sometimes, the problem is that an organization has a surplus of talent, possibly because new technologies, such as artificial intelligence and robotics, are reducing the overall demand for workers, or because changes in the demand for their products or services (for example the growing demand for electric vehicles) is reducing and, in some circumstances, even eliminating the demand for some existing skills. In circumstances where organizations have a surplus of talent, they may consider interventions such as redeployment or release. On the other hand, where they are faced with shortages, they may consider ways of acquiring employees who already have the required skills; for example, poaching staff from other organizations, or acquiring a whole organization in order to secure skilled employees. This practice is sometimes referred to as 'acqui-hiring' (a portmanteau of 'acquisition' and 'hiring'). Another possibility, considered below, might be investing in training in order to expand their existing skills base.

Managing talent in family firms

Family firms can experience particular problems matching top talent to emerging needs and this can affect the firm's ability to respond to threats or opportunities. This difficulty is rooted in the objectives of many family firms. These are discussed in Chapter 5, and often include goals such as keeping power and control within the family. A consequence of this kind of non-economic goal is that some owners may be reluctant to involve non-family members in senior management (discussed in more detail in Chapter 21). Restricting senior management roles to family members can have advantages; for example, it can encourage managers to adopt a 'stewardship' orientation and a commitment to long-term success rather than the short-term obsession with shareholder value characteristic of many top managers in non-family businesses. But it can also bring with it a number of disadvantages; for example, in those family businesses where senior roles are reserved for family members, a shortage of family members can limit growth. This is not a new problem. Harding (2020) reports that, for hundreds of years, the owners of Japanese companies have been adopting their sons-in-law as a way of recruiting talent, a practice known as *Mukoyōshi*.

Sometimes, the problem is not an absolute shortage of family members, but a shortage of family members with the competences required to manage the business. Pollak (1985) refers to 'family-based human asset specificity', which can be a liability in high-growth, complex technology

environments where responding to opportunities or threats requires access to specialist knowledge not possessed by existing family members. Skill specificity is not the only problem. Cognitive specificity (for example, where the ability to think critically is restricted to certain, often familiar, issues) can also be a problem that gives rise to bounded rationality. In many family businesses, top managers are family members who were recruited into the businesses at a very early age. One consequence can be that all members of the top team are conditioned to view the world through a similar lens, and this can reduce their sensitivity to changing circumstances and alternative ways of improving the business (see the discussion of the sensitivity of top teams in Chapter 5).

Interventions that might reduce the impact of these problems include: encouraging young family members to work elsewhere, maybe in different industries, before joining the business; insisting they enrol in business-related professional education; and recruiting non-family members into senior management roles. Verbeke and Kano (2012) note that this last option might not be easy, even when owners are willing to adopt this kind of solution, because outsiders lack the highly idiosyncratic knowledge that underpins the pursuit of family-centred, non-economic goals.

Training and development

Training and development is a key element of many talent management strategies across all types of organization. A systematic approach to training involves three main steps: the analysis of training needs, the design and delivery of training, and the evaluation of training effectiveness:

1. *The training needs analysis* also involves three steps: systems-level review, task analysis and person analysis.
 - A *systems-level review* determines how a change will affect organizational goals, objectives and task demands. This overview provides the information necessary to identify where more specific task and person analyses are required.
 - A *task analysis* focuses on specific jobs or roles and examines how modifications to the task of a unit will affect the nature of the performance that will be demanded from members of that unit. It also points to the competences – knowledge, skills, attitudes or behaviour – that people performing these new or modified roles will require in order to perform to the new standard.
 - A *person analysis* seeks to identify discrepancies between the required competences, as determined by the task analysis, and the existing competences of the organizational members available to perform these revised tasks. This analysis provides the information necessary to identify which individuals or groups will require training and to specify training objectives in terms of what trainees need to know and how they will be required to behave.

The most useful way of expressing training objectives is in terms of behavioural objectives that specify what trainees will be able to do after training.

2. *The design and delivery of training*: Smith (1991) suggests that the choice of training method should, at least in part, be determined by the kinds of competences the training is designed to impart. Reid and Barrington (1999) classify training methods under five main headings: on-the-job training, planned organization experience, in-house courses, planned experience outside the organization, and external courses. They recommend four criteria to determine which of these strategies will be most appropriate:
 - compatibility with training objectives
 - estimated likelihood of transfer of learning to the work situation
 - availability of resources, such as time, money and skilled staff
 - trainee-related factors.

Example 13.2 below illustrates how one-to-one coaching and group facilitation helped transfer learning and embed it into the way managers worked on a day-to-day basis.

3. *The evaluation of training effectiveness:* Training effectiveness can be assessed in many ways, but Aguinis and Kraiger (2009) note that Kirkpatrick's (1983) four-level approach to training evaluation continues to be the most widely used training evaluation model among practitioners:
- At level one, the criterion is how trainees *reacted* to the training. Did they feel it was relevant, interesting, demanding and so on?
 - At level two, the criterion is *what they learned*. It is not unknown for trainees to react favourably to the training but to learn relatively little, or only achieve acceptable standards of learning in respect of some, but not all, of the learning goals. This kind of feedback has obvious implications for those responsible for selecting and designing the details of the learning activity.
 - At level three, the criterion is *behaviour*. Trainees may have reacted positively to the training and learned what it was intended they should learn. However, back on the job, their behaviour may have changed little, if at all. In other words, what was learned on the course may not have been transferred to the work situation. It is relatively easy to apply the relevant principles of learning to design a training activity that will encourage learning, but much more difficult to design one that will ensure that the learning is transferred and used in the work situation. This issue is addressed by Paul Simpson in his video (see Managing Change in Practice 12.1). A common problem that inhibits transfer is the social pressure that trainees are subjected to on their return from training. While they may have learned best practice when on the course, back on the job, colleagues often pressure them to revert to the traditional ways of working.
 - At level four, the criterion is *results*. It is possible for the training to produce the intended changes in behaviour, but this behaviour change may not produce the intended results. Sales representatives may have started to call more regularly on customers, but this may not produce the anticipated increase in sales. This kind of feedback indicates a need for a fundamental rethink of the training strategy.

EXAMPLE 13.2 Using training to help change the culture of a special metals business

You might want to review Paul Simpson's video (see Managing Change in Practice 12.1). Paul engaged a firm of training consultants to work with the business to design and deliver a five-module training programme for the top 50 managers and directors over an 18-month period. His role was to support the top 50 and help them transfer what they learned on the training programme and embed it as a natural part of their everyday management style. He did this through coaching, one-to-one support and group facilitation.

Many lessons were learned from this experience:

1. Providing trainees (in this case the top 50 managers and directors) with one-to-one coaching support in the gaps between modules, when they were back at work, increased their awareness of the value of what they had learned and helped them to adopt new ways of working.
2. People responded differently. Overall, the response to the training was positive, but while some worked hard to translate theory into practice, others found this was easier said than done. There were also a few who were not persuaded that they should change their management style, but as the programme unfolded they began to recognize that they did not fit in.
3. Encouraging trainees to share their success stories encouraged others to embrace the new culture.
4. Rather unexpectedly, as some managers adopted the new ways of working and began to appreciate how this improved the climate in their section of the organization, they became less tolerant of those senior managers who were clinging on to the old top-down, adversarial culture, and this began to create a bottom-up push for change.

High performance management

High performance management is a human resource intervention that change agents can use to improve performance by aligning people management practices. It involves the development and implementation of a ‘bundle’ or system of people management practices that are internally consistent, aligned with other business processes, and aligned with the organization’s business strategy:

- *Internal alignment:* Many attempts to improve performance through the introduction of new people management practices fail because changes are introduced piecemeal and are focused on particular practices, such as selection, performance appraisal, compensation or training. Investing more resources in just one practice, such as training, may have little effect if other practices remain unchanged. For example, the potential benefits of training may be wasted if jobs are not redesigned in ways that give workers the freedom to apply their new knowledge and skills.
- *External alignment:* While the internal alignment of people management practices can deliver improvements in employee performance, these improvements will only be of value if they contribute to the achievement of outcomes that are consistent with the organization’s strategy.

How people management practices can affect performance

Huselid (1995), building on the work of Bailey (1993), argues that people management practices can affect an individual’s performance by:

1. Improving their knowledge and skills, for example, training or selection practices that identify people who possess required competencies.
2. Motivating them to engage in discretionary behaviours that draw on their knowledge and skills; for example, by providing incentives or reviewing their performance.
3. Modifying organizational structures in ways that enable employees to improve the way they perform their jobs, for example pushing the locus of decision making down the organization.

Diagnosing the alignment of people management practices

Pfeffer (1998) describes a two-part ‘alignment diagnosis’, which is an essential part of any high performance management intervention. The first is concerned with external alignment and involves diagnosing the extent to which management practices are congruent with the organization’s business strategy. The second is concerned with internal alignment and involves diagnosing the extent to which people management practices are aligned with each other.

You might find it useful to use Change Tools 13.2 and 13.3 presented below to assess the alignment of people management practices in an organization you are familiar with. If you are a student with little or no work experience, you could practise diagnosing external alignment by investigating an organization’s strategy online (some companies publish their strategy on their website) and then brainstorming the competences and people management practices you think would have to be in place in order to achieve this.

CHANGE TOOL 13.2 Diagnosing external alignment

Diagnosing external alignment involves four steps:

1. *Specifying the organization’s strategy:* Strategy is a statement of purpose that indicates how the organization will match its resources with the opportunities, constraints and demands in the environment. Implicit in this statement are the value propositions the organization offers to stakeholders.

Summarize your organization’s strategy in the space below.

2. Identifying the critical behaviours and related competences required to achieve the strategy: If the organization’s strategy is premised on the provision of excellent customer service and the majority of staff are customer facing, then the organization needs people who have the competences necessary to support this value proposition. If, on the other hand, the strategy is premised on being first to market with innovative products, then a different set of competences will be required. Pfeffer (1998) recommends that attention is restricted to the six or so behaviours and related competences that are the most important. These can be entered at the head of the columns (A–G) of the external alignment matrix presented below.

3. Identifying practices that the organization uses to manage people: The external alignment matrix is divided into three parts in line with Bailey’s (1993) model of how people management practices can affect performance.

Review your organization’s people management practices and amend the list included in the external alignment matrix below to reflect your organization’s current approach to people management. You might also amend this list to include additional practices that, if applied appropriately, could contribute to high performance.

4. Assessing the alignment of each people management practice with the competences and behaviours required to achieve the organization’s strategy: This involves assessing the extent to which each of the people management practices listed in your external alignment matrix is likely to promote the competences and behaviours you identified as critical for the implementation of the strategy. Pfeffer (1998) suggests using a three-point scale, where +1 indicates that the practice is aligned with the organization’s business strategy and will support the development of required competences and behaviours, 0 where the practice has a neutral effect, and –1 where it is misaligned. This procedure is a useful way of identifying where there is substantial misalignment and a clear need for action to develop and implement a revised people management practice.

Pfeffer (1998, p. 111) identifies some of the most common alignment-related problems. For example, a firm may reward managers for ‘making the budget numbers’, when the really important targets had to do with being innovative, fast and customer focused.



External alignment matrix							
	Critical behaviours/competences required to implement the organization’s strategy						
Practices that affect:	A	B	C	D	E	F	G
1 The development and availability of competences							
Recruitment							
Selection							
Induction							
Training							
Other development							
Information sharing							
Other							
2 Motivation							
Employment security							
Performance appraisal							

Incentives																	
Internal promotion systems																	
Status distinctions																	
Other																	
3 Ability to use competences to improve performance																	
Organization structures																	
Job design																	
Locus of decision making																	
Employee voice																	
Other																	

Source: Inspired by ideas in J. Pfeffer (1998) *The Human Equation: Building Profits by Putting People First*, Boston: Harvard Business School Press.

CHANGE TOOL 13.3 Diagnosing internal alignment

Diagnosing internal alignment involves assessing the internal consistency of people management practices. One way of doing this is to list the management practices identified as part of the external alignment exercise across the top as well as down the left-hand side of a matrix and taking each practice in turn and reviewing it for alignment against each of the other practices. For example, in terms of job design, if work is allocated to self-managed teams, are employees given training that supports this practice? Also, is performance appraisal focused on individuals or teams, and are incentives aligned with this? Again, the three-point scale can be used to signal the degree of alignment and highlight potential problems.

Internal alignment matrix																	
Practices that affect:	Management practices																
1 The development of competences																	
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
a. Recruitment	-																
b. Selection	-	-															
c. Induction	-	-	-														
d. Training	-	-	-	-													
e. Other development	-	-	-	-	-												
f. Information sharing	-	-	-	-	-	-											
2 Motivation																	
g. Employment security	-	-	-	-	-	-	-										
h. Performance appraisal	-	-	-	-	-	-	-	-									
i. Incentives	-	-	-	-	-	-	-	-	-								
j. Internal promotions	-	-	-	-	-	-	-	-	-	-							
k. Status distinctions	-	-	-	-	-	-	-	-	-	-	-						
3 Use of competences																	
l. Organization structures	-	-	-	-	-	-	-	-	-	-	-	-	-				
m. Job design	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
n. Locus of decision making	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
o. Employee voice	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Source: Inspired by ideas in J. Pfeffer (1998) *The Human Equation: Building Profits by Putting People First*, Boston: Harvard Business School Press.

This kind of alignment diagnosis can help change agents identify the system of people management practices that an organization uses to achieve its strategic objectives and identify any misalignments between them. If misalignments are identified, it is possible to intervene to realign practices to improve performance.

If you are in employment, you might find it useful to reflect on the extent of external and internal alignment in your organization and the areas where alignment problems might arise.

TECHNOSTRUCTURAL INTERVENTIONS

Technostructural interventions focus on the three areas of structure, task methods and job design. They are intended to affect the content of work, work methods, the way work is divided between organizational members, and employee involvement.

Structural design can involve interventions such as downsizing, to reduce the size of the organization, or the introduction of more process-based or network-based structures to increase flexibility.

Some structural interventions are designed to increase employee involvement in order to enhance their commitment and performance. They often involve moving decision making downwards in the organization, closer to where the work is done. To achieve this, employees, at all levels, have to be provided with the power, information, knowledge and skills required to act effectively.

Several types of technostructural intervention involve the redesign of jobs. Re-engineering approaches focus on efficiency and job simplification, motivational approaches focus on enriching the work experience and are designed to motivate employees to work more effectively, and sociotechnical approaches focus on integrating the technical and social aspects of work and often involve the introduction of self-managed work groups.

Rendanheyi is an intervention designed to unlock entrepreneurial talent by transforming the organization into a network of independent micro-enterprises that are run by leaders who have a financial stake in their enterprise (see Example 3.1).

Process re-engineering and lean involve a fundamental rethink and redesign of business processes to achieve a transformational improvement in performance. They often involve the use of IT systems to help organizational members control and coordinate work processes more effectively. These interventions are considered in more detail below.

Process re-engineering

Process re-engineering is a technostructural intervention that involves switching attention away from fragmented functional thinking towards cross-functional processes.

Many organizations have vertical structures that resemble functional silos built on narrow pieces of a process (Figure 13.3).

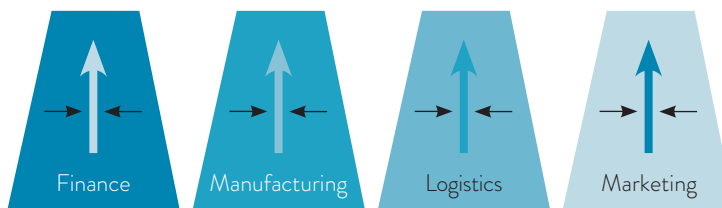


Figure 13.3 Functional structures

Process re-engineering involves switching attention away from fragmented, functional-based thinking to cross-functional processes that create value for the organization (Figure 13.4). Kaplan and Murdock (1991) argue that focusing attention on and redesigning core processes can make them faster and more flexible, and make organizations more responsive to changes in competitive conditions, consumer demands, product life cycles and technologies.



Figure 13.4 Cross-functional processes

Process re-engineering typically involves seven steps:

1. *Process mapping*: A process is a series of actions that lead to an outcome. Process maps show how work flows through an organization. People tend to be more familiar with their organizational unit, such as manufacturing or marketing, than with the processes to which these units contribute. Examples of processes in a business organization are order fulfilment – order to payment, including intermediate steps such as manufacturing – product development (concept to prototype) and sales (prospect to order). Examples of processes in a healthcare organization include patient test (referral to diagnosis) and patient stay (admission to discharge). In most organizations, there are relatively few core processes, but each of these might involve a number of subprocesses. The starting point for any process re-engineering project is to map the processes that contribute to the organization fulfilling its purpose.
2. *Identifying processes for re-engineering*: Even when the ambition is to use process re-engineering to radically transform the organization in the shortest possible time, it will normally prove impossible to re-engineer all the organization's processes simultaneously. Hammer and Champy (1993) suggest three criteria for choosing which processes to re-engineer and the order in which this might be done. They are:
 - *dysfunction*: those processes in the deepest trouble
 - *importance*: processes that have the greatest impact on the organization's customers
 - *feasibility*: those processes most susceptible to successful redesign.
3. *Understanding the selected process*: The re-engineering team needs to understand the process, what it does, how well it does it, and any critical issues that govern its performance. Improving processes can involve starting from a clean sheet and radically transforming a process, or it can involve working with an existing process and seeking out opportunities for incremental improvement. Example 13.3 illustrates how those involved in one re-engineering project set about improving their understanding of an existing process before deciding how it could be redesigned.

EXAMPLE 13.3 Mapping a GP referral for a routine X-ray at a local hospital

A manager responsible for delivering primary healthcare in a community in northwest England decided to explore the possibility of re-engineering some of the processes known to be inefficient and the cause of patient dissatisfaction. One such process involved GPs (general practitioners based in the community) referring patients for routine X-rays at a local hospital. Once this process had been identified as the initial target for re-engineering, the next step was to map the process. The manager had been trained in process re-engineering and was familiar with two ways of mapping processes. One was

to gather all the stakeholders together for a mapping workshop. The other was for members of a re-engineering team to physically walk through the process and record what happens at each stage. He decided on the second approach but was careful to include representatives of those he knew were involved in the process. Figure 13.5 illustrates their map of the X-ray referral process. It starts when the patient first goes to their GP with symptoms, and ends when the X-ray result is communicated to the patient.

The map provided the re-engineering team with the information they required to start looking for possible improvements. Some of the things they considered included:

- **the number of steps in the process**
- **the number of hand-offs:** occasions when the information relating to the patient’s diagnostic test is passed from one person to another
- **task time:** the time taken for each step
- **wait time:** the time between each step
- **dead time when nothing happens:** the dictated report sits on the secretary’s desk for three days before being typed
- **steps that fail to add any value:** for example, they questioned whether it was time- and cost-effective for the consultant to check the typed report before it was forwarded to the GP
- **blockages:** steps that slow the rest of the process down.

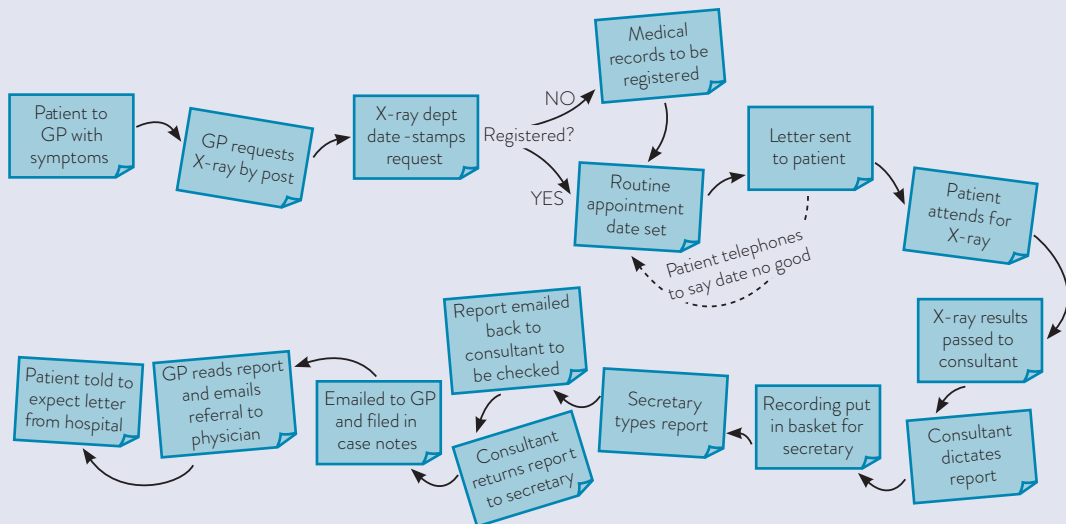


Figure 13.5 GP referral for a routine X-ray at a local hospital

Mapping a targeted process is often done in two steps. The first involves producing a high-level process map that provides an overview of how inputs are transformed into outputs and focuses attention on the relative value of the outputs produced by the process – Are they worth the effort required to produce them? Do they really satisfy customers’ needs? – and the value added by particular steps in the process: Can a step be eliminated, integrated with another step, or replaced with an entirely different subprocess? Experience suggests that analysing this kind of high-level map helps to expose embedded assumptions and identify those parts of the overall process that offer the greatest potential for improvement. The second step involves mapping in more detail those parts of the process that have the potential for improvement.

4. **Defining key performance objectives:** Key performance objectives are based on what the re-engineering team and other stakeholders believe the customer requires from the process.

They provide a basis for specifying measures that will indicate whether the changes have been successful. Sometimes, benchmarking is used to help define performance objectives, but re-engineers need to be alert to the possibility that benchmarking may limit ambition to what is currently being achieved by ‘the best of the rest’ and inhibit out-of-the-box thinking about what the process could deliver. Baselineing – collecting and recording data about existing (pre-engineered) performance – can also help with the definition of realistic performance targets and provide a basis for assessing the successes of the re-engineering project.

5. *Designing new processes:* According to Hammer and Champy (1993, p. 134): ‘Redesign is the most nakedly creative part of the entire reengineering process. More than any other, it demands imagination, inductive thinking, and a touch of craziness.’ They illustrate this with the example of an insurance company that believed it was costing more than it should to settle claims relating to motor accidents. (Case Study 3.4, on the book’s companion website, featuring the claims settlement process illustrates how this can unfold.) There is no set format for redesigning a process, but it often involves people sharing ideas about how the process might be changed and others ‘piggybacking’ on these ideas to suggest other possibilities.
6. *Testing:* An important part of process re-engineering is the testing of ideas to see if they will work in practice. The plan, do, study, act (PDSA) cycle, a process that mirrors some aspects of action research, provides a framework for testing the effectiveness of a proposed change. The PDSA cycle is presented as Change Tool 13.4.
7. *Implementation:* If the tests are successful, the redesigned process can be implemented and rolled out, as appropriate, to other parts of the organization. However, great care needs to be exercised if the redesigned process is to be rolled out to powerful individuals or groups who were not part of, and committed to, the re-engineering process. Process re-engineering can be highly politicized and often involves jurisdictional disputes when managers are required to let go of activities and decisions they value.

McNulty and Ferlie (2002) report that attempts to radically transform a large hospital through process re-engineering were highly contested and the outcome of the change was uneven across the organization. Contextual factors had an important effect on outcomes, especially those relating to the extent to which doctors retained control over work practices. They also found that it was easier to secure change in those processes or parts of processes that did not cross boundaries between clinical directorates or between directorates and external agencies.

CHANGE TOOL 13.4 The plan, do, study, act (PDSA) cycle

The PDSA cycle is a tool for testing ideas by putting changes into effect on a small scale and learning from their impact before full implementation.

The four stages are:

- *Plan:* plan the change to be tested
- *Do:* carry out the test (change)
- *Study:* study data before and after the change and reflect on what was learned
- *Act:* plan implementation or, if the test was not successful, plan the next PDSA cycle.

Lean

Womack et al. (1990) coined the phrase ‘lean’ to describe a production system that does more with less and less. It is a customer-focused process that aims to provide customers with precisely what they want, free of defects, exactly when they want it.

Some practitioners view lean as a set of tools and techniques, whereas others view it as a philosophy (Scherrer-Rathje et al., 2009). Toolkit-oriented practitioners focus their attention on tools, such as control charts, 5S and seven wastes, total productive maintenance, just-in-time inventories and so on, and direct their efforts towards applying them to achieve specific outcomes. These might involve change efforts that are restricted to particular parts of the organization or directed towards the achievement of limited goals, such as cost reduction. On the other hand, those who view lean as a philosophy focus more attention on acting in accordance with guiding principles and overarching aims to create a lean enterprise.

Womack and Jones's (1996) five principles provide a useful overview of the lean philosophy:

1. *Specifying value*: Specifying value is the essential first step in lean thinking and needs to be done from the perspective of the end customer. All too often, other stakeholders, such as shareholders, provide the starting point for defining value. Typically, many departments within an organization or many firms within a supply chain contribute to producing value. Problems arise when any one of these elements in the value stream fails to appreciate how their actions affect value from the perspective of the end customer. For example, a company dedicated to producing well-designed, high-quality furniture and marketing its products direct to customers might decide to reduce costs by outsourcing delivery to an independent haulage contractor. The haulage contractor, in turn, might decide to cut costs by paying drivers on a commission basis. The effect of this might be to encourage drivers to complete as many 'drops' as possible in order to maximize their earnings, and to discourage them from spending time with customers to help them remove and dispose of packaging, check the quality of their purchase before signing for delivery, or carry the furniture from the front door to the required location. These may all be services that customers value. The furniture company's effort to deliver value to the customer can easily be undermined by this final link in the value stream. By focusing attention on their own immediate goals, the haulage contractor and the drivers it employs can destroy customer loyalty and adversely affect demand for the product.

Rethinking value not only requires producers to engage in a searching dialogue with customers, but also for all contributors to the value stream to talk to each other about how they each contribute to the value of the whole product or service from the perspective of the end user.

Once value has been defined, it is possible to specify target cost. According to Womack and Jones (1996), this is the amount of resource and effort required to produce the product or service to the required specification once all currently visible waste is removed from the process. It is this target cost that provides the lens for examining every step in the value stream.

2. *Identifying the value stream and eliminating wasteful steps*: While many actions in the value stream create value, others create waste (some sources of waste are discussed in Change Tool 13.5). Mapping a value stream involves identifying every action that, from the perspective of the customer, adds value and categorizing those activities that add no value into 'type one' and 'type two' waste. Type one waste includes all those activities that create no value but are unavoidable, *given current technologies and production assets*. Type two waste refers to those activities that fail to add value but are immediately avoidable. Once type two waste has been eliminated, the way is clear to go to work on eliminating the remaining (type one) non-value-adding steps through the application of flow, pull and the other lean techniques considered below.
3. *Making value flow*: Once value has been specified, the value stream mapped and obviously wasteful steps eliminated, attention can be focused on making the remaining value-creating steps flow. Re-engineering to create flow can involve radical change. For example, a batch and queue production system might require considerable modification. This could involve the development of smaller machines, faster methods of switching tools to facilitate the manufacture of smaller batches, and the co-location of related steps in the production process to eliminate

waste associated with transporting part-finished components between locations. A continuous flow layout often involves arranging related production steps in a sequence within a single 'cell' and quickly moving the product from one step to the next without any (wasteful) buffers of work in progress in between.

4. *Pulling flow:* While flow is necessary, it is not sufficient. Flow needs to be pulled through the production system. The pull principle involves no one producing anything until someone downstream requests it. Womack and Jones (1996) make an important distinction between pull and push. When products are 'pushed' through a production system to meet a sales forecast, any unanticipated fall in demand can lead to a rapid build-up of unwanted finished goods (waste) that, if not scrapped, may have to be sold off at a heavy discount. Lean production involves making exactly what customers want when they want it. Figure 13.6 illustrates flow being pulled through the system in response to downstream requests. Customers pull the product from the producer, and, within the production system, every downstream production stage pulls inputs from adjacent upstream stages in the production process.
5. *Perfection: continually searching for improvement:* Early steps in the lean change process often involve discontinuous change, such as a radical realignment of the value stream, for example moving from batch and queue to a continuous flow system pulled by customer demand. But the search for improvement should not stop there. An important principle of lean is the ongoing search for continuous improvement (kaizen).

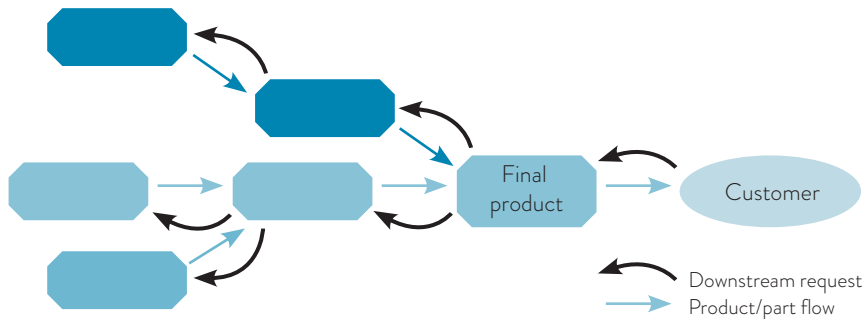


Figure 13.6 Parts being pulled in response to customer requests

The Toyota Production System, discussed in Example 13.4, is widely regarded as the most successful example of lean.

EXAMPLE 13.4 The Toyota Production System

The Toyota Production System's systemic qualities have been represented as a house with all parts (foundations, pillars and roof) needing to work together to create the whole (Figure 13.7).

Liker and Morgan (2006) point to some of the key elements of the Toyota Production System:

- *Just in time* (JIT) was developed to facilitate smooth flow by ensuring that the right part is delivered to the right place at the right time. In ideal circumstances, material moves from operation to operation one piece at a time without interruption, but sometimes this continuous flow is not possible because components have to be produced in batches. Batch production requires the holding of inventories. JIT refers to the way these inventories are replenished. Where fast setup times enable machines to be quickly switched from manufacturing one component to another, it is possible to produce tiny batches. This, in turn, facilitates the holding of tiny inventories that are only replenished as required. Replenishment occurs when, and only when, the inventory is drawn down as parts are used in the next process downstream.

- *Jidoka* involves workers stopping production and immediately fixing problems as they occur. It ensures that problems are constantly surfaced and processes are improved on a continuous basis. To work effectively, people need to be skilled and motivated to solve problems quickly.
- *Heijunka* means production levelling. It involves sequencing orders in a way that smoothes out short-term variations in demand. Level schedules make it possible to standardize processes. Without some element of levelling and stability, it would be impossible to maintain minimum level inventories that can be replenished on a JIT basis. For an example of how heijunka works, see Womack and Jones (1996, p. 306).

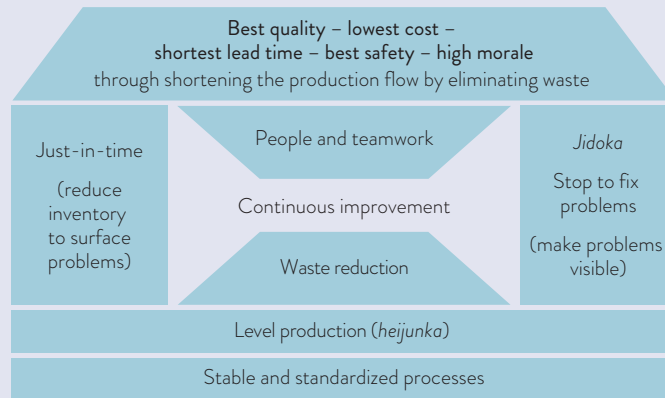


Figure 13.7 The Toyota Production System house

Source: Republished with permission of the Academy of Management, from Academy of Management Perspectives, 'The Toyota way in services: The case of lean product development', J.K. Liker and J.M. Morgan, 20(2), 2006, p. 7; permission conveyed through Copyright Clearance Centre, Inc.



Lean tools and techniques

There is a wide range of other tools and techniques that lean practitioners use. A selection is provided in Change Tools 13.5–13.7.

CHANGE TOOL 13.5 The seven wastes

Value stream mapping, the basic tool for implementing lean, provides the basis for identifying waste. Taiichi Ohno (1988), considered to be the father of the Toyota Production System, devised the seven wastes as part of the system, which offer employees a useful framework for searching out and eliminating all those activities that fail to add value. The seven wastes are:

1. *Overproduction*: making more than required, or making it earlier than required.
2. *Waiting*: products waiting on the next production step, or people waiting for work to do.
3. *Unnecessary transportation*: moving products farther than required.
4. *Overprocessing products or parts*: this can occur because of poor design or inefficient tools.
5. *Inventory*: holding more inventory than is minimally required.
6. *Unnecessary motion*: people moving or walking more than minimally required, for example looking for tools, or bending to pick up a part or a tool from the floor rather than picking it off a waist-high, non-stoop scaffold.
7. *Defective parts*: requiring effort to inspect and fix.

Womack and Jones (1996) added an eighth source of waste – producing goods and services that fail to meet the needs of the customer.

A useful starting point is to ask a group of employees to use the types of waste checklist and identify as many sources of waste as they can in their workplace.

CHANGE TOOL 13.6 The 5S methodology

Another technique for improving the way work is performed is 5S. Kocakülâh et al. (2008) describe how it can be applied in a kaizen event when a cross-section of managers and production workers are taken from their daily routines to focus on the 5Ss in a specific area. A typical sequence is:

1. *Separate*: evaluating and removing anything that is not required from the production area.
2. *Sort*: specifying and labelling locations for all remaining items required to perform the task. Locations are chosen to minimize motion.
3. *Sweep*: the area is cleaned and kept clean to facilitate efficient working.
4. *Standardize*: making everything consistent. Machines are set up identically and tasks are performed in a standardized way to support the flexibility of employees between work stations.
5. *Sustain*: maintaining the discipline of the preceding steps.

CHANGE TOOL 13.7 The five whys

The five whys is a diagnostic tool that can be used to identify and eliminate the root cause of problems. The NHS Improvement Network offers examples of how the five whys can be used to solve problems in healthcare settings:

1. The patient was late in theatre, it caused a delay. *Why?*
2. There was a long wait for a trolley. *Why?*
3. A replacement trolley had to be found. *Why?*
4. The original trolley's safety rail was worn and had eventually broken. *Why?*
5. It had not been regularly checked for wear. *Why?*

Answer: The root cause is that there is no equipment maintenance schedule.

Repairing the safety rail, or even a one-off safety rail check of all trolleys, will not guarantee that patients will never be late for theatre because of faulty equipment.

Other tools and techniques include total productive maintenance, single minute exchange of dies, six sigma, control charts, cause-and-effect diagrams, the PDSA cycle and many more.

Ben-Tovim et al. (2007) describe a successful lean implementation programme at Flinders Medical Centre in Australia (Example 13.5).

EXAMPLE 13.5 Implementing lean at Flinders Medical Centre

The initial project involved the emergency department (ED). It was so congested that patients overflowed into the recovery area of the operating suite, disrupting the work of the ED and the division of surgery. Some elective surgery had to be cancelled at short notice, surgical training was disrupted, the safety of care in the ED was becoming compromised, and staff turnover was high.

The project started with a multidisciplinary group of ED staff mapping patient journeys. This demonstrated that the use of a five-point measure of patient acuity – the intensity of care required by a patient – to prioritize care contributed to many problems, including the distress of patients who were ‘bumped’ down the queue when later patients were seen first because they had been allocated to a different triage category (a category determined by how likely they were to benefit from immediate medical care). Staff attempted to rescue this situation by instituting ad hoc and hard-to-manage strategies to push through ‘bumped’ patients when the build-up became excessive.



Streaming was introduced to help resolve this and related problems. Patient care families (groups whose care process was sufficiently similar for them to be managed together) were established on the basis of 'likely to go home' or 'likely to be admitted to hospital'. The process for each group was simplified by creating 'production cells', in which steps in the value stream were lined up to facilitate a steady flow. Patients were treated in these cells as they arrived rather than treating them in batches. The result was a halving of patients leaving the ED without completing their care, a reduction in congestion by decreasing the time patients spent in the department by 45 minutes, and the freeing of capacity to cope with a 10 per cent increase in demand over the following 12 months.

Following this early success, lean thinking was disseminated across the hospital. Process mapping created detailed pictures of how work was done and generated a commitment to change. This led to the identification of improvement opportunities and the engagement of staff in PDSA cycles to eliminate waste and deliver value. Ben-Tovim et al. (2007) illustrate how this worked with an example that eradicated waste by speeding patient discharge. It became clear that the discharge of some inpatients was delayed because they had to wait for a date for a crucial follow-up test. A search for the root cause revealed that the clinical laboratory was under such pressure to perform tests that, when the laboratory receptionist left, it was decided to appoint a new technician rather than a replacement receptionist. The result was that appointments could only be made when a laboratory staff member was free to pick up and respond to messages left on the telephone answering system. This delay had the knock-on effect of increasing congestion in the ED while new patients who needed to be admitted waited for a bed.

Ben-Tovim et al.'s (2007) account illustrates a key tenet of lean: learning and change only come from working on problems in the workplace. Lean is not a top-down process where senior managers diagnose the problem, design and then implement a solution. It is a process that involves people in the workplace developing a detailed understanding of how the work is done, searching out the root causes of waste, and identifying more effective ways of delivering value to end users. Lean initiatives not only require visible and continuing management support but also a commitment from those directly involved in the workplace to engage in a bottom-up process to bring about change.

STRATEGIC INTERVENTIONS

Strategic interventions link the internal functioning of the organization with the wider situation. They aim to ensure that business strategy is aligned with organizational structure and culture and that all three are aligned with the external environment.

There is a wide range of strategic interventions. Strategy mapping is an intervention based on the balanced scorecard. It is used to aid strategy development, communicate the strategy to those who will be involved in its execution, and monitor implementation. It can be an effective way of closing the loop between formulating and implementing strategy, because it provides those formulating strategy with feedback about whether it is having the anticipated impact. Transorganizational development is an intervention that focuses on the creation of beneficial partnerships (joint ventures and strategic alliances) with other organizations to perform tasks or solve problems that are beyond the capability of a single organization. For example, in a large city, several agencies may have to learn to work together to tackle the problems associated with drug addiction. Value innovation is a strategic intervention that offers a practical framework for identifying and capturing new market space, and receives detailed consideration in Chapter 6.

Whole system in the room interventions, discussed in Chapter 12, form part of many strategic interventions because they can be used to help organizational members assess their organization's strengths, weaknesses, opportunities and threats and use this assessment as a basis for visioning a better future.

Two strategic interventions are discussed in this chapter, resilience management, and mergers and acquisitions, but a third strategic intervention, culture profiling, is considered on the book's companion website, bloomsbury.pub/hayes-change-management-6e.

Resilience management

Resilience management is a strategic intervention. Branicki et al. (2019) distinguish between resilience in the context of extreme events and everyday organizational resilience, which is about continuously anticipating and adjusting to changes that can undermine performance. The term ‘resilience management’ is used here to refer to improving an organization’s capability to respond to extreme events that are difficult to anticipate, or have consequences that cannot be predicted. One example is a fast-moving epidemic with no known treatment such as COVID-19.

Promoting organizational resilience not only delivers benefit for the organization but also for the wider community. Pervasive big-bang disruptions can affect communities, whole countries or global networks, so an organization’s ability to continue, or quickly resume, operations and provide valued services, which may be healthcare, telecommunications, power or other important goods and services, can have a powerful impact on the recovery of the wider society.

After studying 10 case study organizations representing a range of industry sectors, business types and sizes in New Zealand, McManus et al. (2008) developed a facilitated process for resilience management that others can use to develop bespoke interventions for particular organizations. The key elements of the McManus process are building situation awareness, identifying essential organizational components, identifying and prioritizing ‘keystone’ vulnerabilities, and increasing adaptive capacity.

Building situation awareness

McManus et al.’s (2008, p. 83) definition of situation awareness includes: ‘the current and projected reality of the organizational operating environment, the resources at the organization’s disposal, the expectations and limitations of all stakeholders, and the positive and negative impacts of various types of crises’. In the process presented here, a little more emphasis is given to developing managers’ awareness of their own organization.

Managers, and others, need to have a realistic shared understanding of their organization’s purpose, the outcomes it is seeking to achieve and the business model it employs to pursue these outcomes. The example of Library House, a business information and consulting company discussed in Chapter 24, illustrates the importance of managers having an accurate understanding of their organization’s business model. The top team at Library House failed to recognize how the company’s business model had evolved and changed over time. This lack of awareness led them to make decisions that seriously threatened the viability of the business. In times of emergency, decision makers need to be fully aware of how their organization functions and its principle vulnerabilities. These will be considered below.

Situation awareness is not only important for the top team. In order to be able to respond effectively in a crisis, employees, as individuals and as members of units and networks, also need to recognize how they contribute to the organization’s performance. Too often, members lose sight of the organization’s overall goal and focus their attention on more immediate objectives. In times of emergency, this blinkered outlook can make it difficult for members, at every level in the organization, to recognize possibilities for connecting with different people, sharing scarce resources and working in new ways to secure important outcomes.

In terms of understanding the wider operating environment, decision makers need to be aware of how their organization connects with other entities such as competitors, suppliers (including the providers of funds), customers, regulators, and the communities in which they operate, and how, in the event of an emergency, their connections with this wider operating environment might affect their ability to function and access resources. For example, Schreffler (2012) reports that after the Great East Japan earthquake, recovery was hindered because many automotive companies had only limited knowledge of their supply chains.

There are a number of ways in which situation awareness can be improved, including sharing perceptions to develop a common view and using consequence scenarios:

1. *Sharing and discussing perceptions of the situation in order to move towards a common view:* Facilitators can use interviews and surveys to gather information about selected members' perceptions of the issues highlighted above, including:
 - the organization's purpose, the outcomes it is seeking to achieve and the business model it employs to pursue these outcomes
 - significant issues that can affect the organization's performance
 - how the organization is embedded within its operating environment
 - the quality of its relations with external bodies that, in the event of an emergency, could affect business continuity and organizational performance.

This information can then be fed back to all, or selected, organizational members in order to develop a shared awareness of the organization and how it is embedded in a wider environment.

2. *Using consequence scenarios to improve situation awareness:* McManus et al. (2008) advocate the use of consequence scenarios to improve organizational members' understanding of the types of hazards they could face and their possible consequences. They developed four different consequence scenarios based on a regional event, a widespread societal disturbance, a localized event and a more remote event:
 - The *regional event scenario* involved significant physical damage to buildings and their contents and disruption to transport links, IT infrastructure, telecommunications and utilities such as power, water and sewerage.
 - The *societal event scenario* involved a nationwide event that didn't affect physical infrastructure but did lead to extended staff absences because staff were either unwilling or unable to work.
 - The *localized event scenario* focused on an organization-specific incident that disrupted normal operations and led to loss of life or injury, leading to scrutiny from the media and regulatory agencies and the need to manage stakeholder perceptions.
 - The *indirect scenario* involved a more remote event that affected business flows through the organization's network of interorganizational relationships, such as the supply chain and routes to end customers.

Consequence scenarios can be adapted to ensure their relevance for particular organizations. Using them can help managers improve their situation awareness by helping them identify foreseeable events such as those discussed in Chapter 11 but, in the context of this discussion, they can also help managers consider how they might cope with events they did not recognize as potential threats and with outcomes that were not foreseeable.

The identification of essential organizational components

The final step in this part of the process is for decision makers to review their awareness of their own situation and identify, from the perspective of their criticality, essential components (elements of the organization) that are required for it to function whatever the nature of the emergency. McManus et al. (2008) distinguish between internal and external components. Internal components are those that the organization has the direct ability to manage, for example employment contracts, whereas external components, such as telecommunications supplied by a third party, are unlikely to be under the organization's direct control. Managers might be able to manage their response to a

telecommunication failure but not exercise direct control over the cause of the breakdown. But there are some things they can do. For example, after the Great East Japan earthquake, Toyota discovered that it didn't even know the names of some fourth-tier suppliers. It now knows who supplies what, when and where down to the third and fourth tiers, and it has taken steps to increase dual and triple sourcing of strategic components (Schreffler, 2012).

The prioritization of principle vulnerabilities

The organizational components that have been identified as essential can now be assessed from the perspective of not only their criticality but also the degree to which managers believe, in the event of one or more component failures, that they will be able to manage an emergency. Encouraging managers to prioritize their own vulnerabilities leads to more buy-in and a willingness to actively explore ways of improving their organization's adaptive capacity. Where the aim is to improve organizational resilience to cope with unanticipated and unknowable risks, an all hazards perspective that covers a full spectrum of emergencies or disasters is recommended.

In their work in New Zealand, McManus et al. (2008) used a vulnerability matrix, presented here as Change Tool 13.8.

CHANGE TOOL 13.8 The all hazards vulnerability matrix

The vulnerability matrix is used to prioritize vulnerabilities that could undermine an organization's ability to cope with an unanticipated crisis, as shown in Figure 13.8.

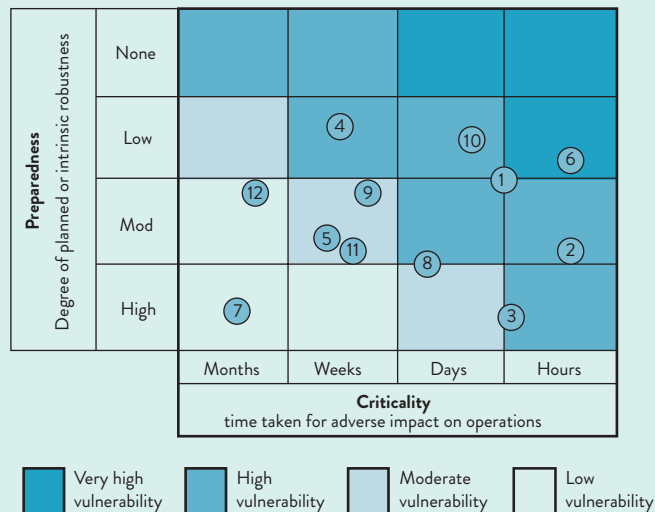


Figure 13.8 All hazards vulnerability matrix

Source: S. McManus, E. Seville, J. Vargo and D. Brunson (2008) 'Facilitated process for improving organisational resilience', *Natural Hazards Review*, 9, p. 86. With permission from ASCE.

The axes are criticality and preparedness. The components that have been identified as essential are numbered and represented by circles. Those that are located in the very high or high vulnerability zones are those that have the potential to cause most disruption in the event of a crisis and are therefore the ones that require most attention in order to increase organizational resilience.

Developing adaptive capacity

Luers et al. (2003, p. 259) define adaptive capacity as ‘the extent to which a system can modify its circumstances to move to a less vulnerable condition’. Modifying an organization’s circumstances can involve creating new and innovative solutions to reduce vulnerability, or adapting tools that already exist to manage new problems. Dalziell and McManus (2004) elaborate on these possibilities, pointing to options such as applying known and existing responses in a new context; for example, after losing a major customer, exploring new markets and seeking out new customers for their existing products or services, or by developing novel responses such as creating new products and finding alternative market propositions.

McManus et al. (2008) suggest that readiness exercises and disaster simulation tailored specifically for a particular organization can be an effective tool for developing adaptive capacity. They argue that involving decision makers in organizational simulations helps them to experience and explore their vulnerabilities and strengths in a simulated crisis environment, and this experience can help them critically assess the effectiveness of their decision making and communications, and encourage them to improve both.

Mergers and acquisitions

Mergers and acquisitions involve the combination of separate units. When most people think about mergers, they think about bringing together separate organizations to form a new organizational entity, but mergers can also involve internal combinations within a single organization. For example, similar units might be merged in order to eliminate duplication, or different units might be brought together as part of a restructuring designed to reduce the number of separate functions.

The majority of combinations of separate organizations that are referred to as ‘mergers’ actually involve one organization acquiring control of another. Such acquisitions are often referred to as ‘mergers’ in order to make the takeover more palatable to the stakeholders of the acquired organization.

Brenntag, the global chemical distribution company, is one of many organizations that has grown by acquiring other businesses (Example 13.6).

EXAMPLE 13.6 Brenntag’s history of restructuring for strategic gain

The German company Brenntag has a 147-year history of restructuring for strategic gain. A long line of acquisitions, divestments, joint ventures and strategic alliances has transformed the original Berlin-based egg wholesaling business into the leading distributor of chemicals, with more than 17,000 staff employed at 670 locations worldwide.

As the company grew, it diversified. It began to trade in other foodstuffs and drugs, and then expanded into chemicals, crude oil and motor fuels. Eventually, it began to concentrate on the distribution of chemical products to industrial users.

Divestments helped to provide this strategic focus. For example, Brenntag sold its network of 120 service stations for retailing petrol and related products to Total Deutschland. It also disposed of its heating and heating oil distribution operations to Raab Karcher in exchange for its chemical distribution business.

Acquisitions helped to secure key links in the value added chain (for example, several shipping operations were purchased), extend the range of chemical products it distributed (serving the needs of industrial users in sectors ranging from paints, plastics, pharmaceuticals and food processing to energy and personal care products), gain footholds in new markets (for example Eastern Europe, Russia, Asia, and the Americas), and consolidate its position in existing markets.

As well as acquiring control of many companies, Brenntag also forged strategic alliances with leading chemical manufacturers to distribute their products and launched joint ventures (in Japan and Russia) to gain access to new sources of supply and new markets.

Brenntag’s successful history of restructuring for strategic gain is the product of successive management teams’ ability to articulate clear strategic objectives and develop robust criteria for assessing joint venture partners and acquisition targets in terms of their potential to add value.

The company also has a strong track record in terms of achieving organization fit. Sometimes, acquired companies have been closely integrated with its existing businesses in order to realize synergies, but there are also examples where acquired companies have been allowed to maintain considerable autonomy when this was judged to be the most effective way of securing added value.

Acquisition objectives

The motive for most acquisitions is some form of value creation. Value creation can be based on:

- | | | |
|------------------------|------------------------|--------------------------|
| 1. Financial synergies | 5. Product extension | 9. Operational synergies |
| 2. Market penetration | 6. Technical expertise | 10. Managerial expertise |
| 3. Market entry | 7. Vertical expansion | 11. Economies of scale |
| 4. Market protection | 8. Access to resources | 12. Enhanced prestige |

Sometimes, acquisitions fail to yield much in the way of added value because those leading the process misjudge the potential benefit that the acquisition will generate. For example, the leaders of an organization may believe that they have the capability to restructure an ailing target and improve its performance. In this kind of ‘restructuring scenario’ (see Chatterjee, 1992), the value resides with the target rather than the acquiring organization and the process of bidding to acquire the target may drive up the price to a point where any added value is competed away from the successful bidder. Those leading an acquisition need to be clear about their strategic objectives and they need to undertake a thorough process of due diligence in order to assess how much value the acquisition will deliver. Cartwright and Schoenberg (2006) report that up to 50 per cent of all acquisitions fail to meet the objectives set for them.

Organization fit

‘Organization fit’ refers to the level of integration required to achieve the strategic objectives that will deliver value. Incompatible IT systems, hostile staff and conflicting priorities are just some of the problems that can make it difficult to achieve these strategic objectives.

Developing a high-level plan

A key issue, when considering organization fit, is the degree of integration required between the acquiring and the acquired companies. Hubbard (1999) presents a continuum of integration possibilities, ranging from total autonomy to full integration:

- *Total autonomy* is where the acquired organization is controlled by financial measures but is not required to engage in any physical integration. In such cases, the required level of integration will be procedural (creating a single legal entity and merging the accounting systems).
- *Restructuring followed by financial control* is where the acquired organization is modified in some respect (for example, new technologies, more efficient working practices or a new management team), but the acquired organization is then left to operate in a stand-alone capacity, subject only to financial controls. While new systems and technologies might be introduced, these may not be integrated with those of the acquiring organization.
- *Functional integration* is where one or more departments or functions in both organizations are integrated to achieve cost savings or economies of scale.
- *Full integration* is where both organizations merge their operations.

The strategic objectives driving the acquisition will determine the range of integration possibilities. For example, if a company is acquired in order to achieve financial synergies, total integration might not be the best way forward; however, if the objective is to achieve economies of scale, some degree of functional or even total integration will be required.

Translating high-level intentions into detailed plans

Detailed plans specify what actions are to be taken, when they will occur, who will be affected, who will be responsible for implementing them, and how they will take place. Hubbard (1999) argues

that the logic behind any changes needs to be thought through so that it can be articulated to those affected. Engert et al. (2019) assert that developing a detailed plan for communication to all stakeholder groups when the acquisition is announced and establishing two-way communications to facilitate feedback as the implementation plans are rolled out are essential if the acquisition is to succeed.

Managing the people issues

Integration is an important issue within and between organizations. Within a single organization, the natural tendency to identify and communicate with those who share common problems and experiences often has the effect of diverting attention away from common objectives as employees focus attention on the goals of their immediate subgroup. Organizations attempt to overcome this kind of problem by introducing integrating mechanisms, such as rules and procedures that promote standardized ways of working, planning mechanisms that focus attention on common goals, coordinator roles that promote direct and continuous contact between groups, and organizational structures (such as matrix structures) that facilitate the management of conflicting priorities.

Shrivastava (1986) argues that these problems of within-firm integration are vastly compounded when two independent firms are merged, and observes that securing managerial and sociocultural integration is one of the most difficult issues that has to be managed. Conflicting frames of reference illustrate the importance of achieving integration at this level because if different frames persist, they can lead to inconsistent decision making, confusion and conflict. For example, managers from the acquiring organization may have a shared belief that the way to improve financial performance is to drive down costs (including labour costs) in order to increase market share. This will have important implications for how they will seek to manage the business post-merger. Managers from the acquired firm, on the other hand, may believe that overall performance and long-term profitability are affected by a completely different set of causal relationships. Their decision making may be guided by the belief that employee motivation and commitment is the key performance driver because it can positively affect customer satisfaction and customer loyalty, which, in turn, will promote revenue growth and profitability. Such different frames of reference can have important implications for the way managers across the new organization work together. Many mergers and acquisitions fail because managerial and sociocultural integration receives insufficient attention or is managed badly.

Managing the human side of acquisitions and mergers receives further attention on the book's companion website, bloomsbury.pub/hayes-change-management-6e, where culture profiling is discussed.

SUMMARY

This chapter considers interventions from the perspective of the issue they address.

Human process interventions focus on people and the processes by which they accomplish organizational goals, such as communication, problem solving, decision making and leadership. Here, the human process intervention that receives most attention is appreciative inquiry. Action research, a widely used human process intervention, is considered in Chapter 12.

Human resource management interventions seek to improve performance through people management practices. The contributions of talent management and training are discussed along with high performance management, an intervention that involves developing a collection of people management practices that are internally consistent with each other and aligned with the organization's strategy.

Technostructural interventions focus on the three areas of structure, task methods and job design and are intended to affect the content of work, work methods, the way work is divided between organizational members, and employee involvement. Two technostructural interventions are discussed, process re-engineering and lean.

Strategic interventions link the internal functioning of the organization with the wider environment. Two strategic interventions are considered, resilience management and mergers and acquisitions. Culture profiling is considered on the book's companion website. Another strategic intervention, value innovation, is presented in Chapter 6.

This overview only considers a few of the many interventions that managers can use but shows how the choice of interventions can be guided by the nature of the problems that have to be addressed.



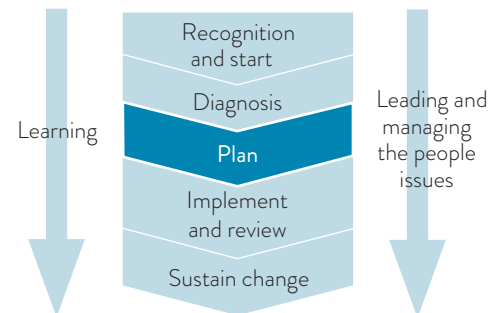
SELECTING INTERVENTIONS

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize those factors that need to be attended to when deciding which intervention will be most effective.
2. Judge how the depth of an intervention might affect change recipients' willingness to engage with the change agent.
3. Critically assess the relative importance of the three factors chosen by Hayes for his three-dimensional model to selecting interventions.
4. Explain how organizational politics could affect the choice of intervention.
5. Sequence interventions in a way that will address priorities and gain maximum benefit from the dynamics of change.

This chapter examines the factors that need to be considered when selecting which type of intervention to use. Consideration is also given to the factors that can affect decisions regarding the sequencing of interventions when it might be necessary to use more than one. This is important because sometimes an inappropriate sequence can undermine the effectiveness of a change programme.



BEWARE FASHIONS AND FADS

There is a real danger that change agents underuse many traditional, well-tried interventions in favour of those that are new and 'fashionable'.

Ettorre's (1997) life cycle theory of management fads suggests that the adoption of an intervention follows five stages:

1. *discovery*: intervention begins to come to people's attention
2. *wild acceptance*: uncritical adoption
3. *digestion*: critics begin to suggest that the fad is not the panacea it was once seen to be
4. *disillusionment*: recognition of problems associated with the intervention
5. *hard core*: only a minority continue with the intervention.

Some interventions that appear to have been abandoned by all but hardcore supporters are still effective and widely used, even if they are not known by their original name. Gibson and Tesone (2001) cite management by objectives as one such example. Championed by Drucker in the 1950s and enjoying 'wild acceptance' in the 1960s, they argue that it continues to thrive as a core practice used by many self-managed teams. There are other interventions that are moving from Ettorre's 'wild

acceptance' stage to digestion, such as holacracy, which involves work being done by self-governing teams without any formal roles (www.holacracy.org). While holacracy is highly regarded by many, Silverman (2015) observes that it has been abandoned by some organizations on the grounds that it leads to too many meetings and vague decision-making authority.

After surveying the 100 largest Fortune 500 firms, Staw and Epstein (2000) found that while the use of popular interventions (which, in the late 1990s, included total quality management, empowerment and teamworking) was positively associated with corporate reputation – organizations were admired, seen as more innovative and rated as having higher quality management – and CEO pay, it was not associated with improvement in economic performance, assessed over a one- to five-year period. It is important to select and apply those interventions that will be effective in a particular context. At times, this might involve using interventions that have been around for some time.

FACTORS INDICATING WHICH INTERVENTIONS TO USE

This chapter considers those factors that need to be taken into account when deciding which interventions are likely to contribute most to achieving the goals of a change programme. The three most important factors are the nature of the problem or opportunity that the intervention has to address (diagnosed issue), the level of change target (individual, group and so on) that is to be the focus for change, and the depth of intervention required. Two other factors can also be important. These are the time available for the change and the efficacy of different types of interventions.

Diagnosed issue

A key determinant of the appropriate intervention is the nature of the diagnosed problem or opportunity. This underpins the aim of the change programme and indicates the issues that have to be attended to in order to move an organization or unit from the current position to a more desirable future state.

At a macro-level, the issue might be defined in terms of either transformational or incremental change. Where the issue is defined in terms of a need for 'transformational change', Burke and Litwin (1992) suggest that the most effective interventions will be those that are targeted at changing system-wide elements, such as mission and strategy, leadership and culture. Interventions that successfully change these elements will have knock-on effects that will affect just about every other element in the system (see Chapter 8).

On the other hand, where the issue is defined in terms of 'incremental change', or fine-tuning, the most effective interventions may be those that address elements that, if changed, might have a more localized impact in terms of units or levels affected. These include interventions targeted at elements such as structure, systems, climate, tasks and roles. For example, the focal issue might be to improve task performance in a particular department. The intervention selected to address this issue might be work redesign. Redesigning the work to improve task performance may affect other factors, such as the competences required of those who do the work, or departmental structure if redesigning the work involves reducing the number of levels in the hierarchy. However, this kind of intervention may have relatively little impact on how the entire organization functions, even if it does have some implications for how the target unit interacts with related units.

At a micro-level, issues might simply be defined in terms of the organizational elements most closely associated with the diagnosed problem or opportunity. The 12 elements of the Burke-Litwin model could provide a basis for classifying issues in this way (see Chapter 8). An alternative, used in the three-dimensional model presented below (Figure 14.1), is the typology used by Cummings and Worley (2001) to classify interventions (see Chapter 13). It points to four broad types of diagnosed issue:

1. *Human process issues*, which include communicating, problem solving, decision making, interpersonal and intergroup interactions, and leadership.
2. *Technostructural issues*, which include horizontal and vertical differentiation, coordination, technology and production processes, and work design.
3. *Human resource issues*, which include attracting, selecting, developing, motivating and retaining competent people.
4. *Strategic issues*, which include managing the interface between the organization and its environment, deciding which markets to engage in, what products and services to produce, how to gain competitive advantage, and what values should guide the organization's development.

Level of change target

Schmuck and Miles (1971), Blake and Mouton (1986), Pugh (1986) and others all include the individual, group, intergroup and organization in their classifications of units that can be the target for change. Blake and Mouton also include the larger social system as the potential client or target for change, and Schmuck and Miles include dyads/triads as a separate unit.

The three-dimensional model for selecting interventions identifies five levels: individual, group, intergroup, organization and transorganization (see Figure 14.1 below). For example:

1. A diagnostic analysis might indicate that the critical issue has to do with a mismatch between task demands and individual competences, suggesting that the target for change is at the *individual* level.
2. The diagnosis might point to poor working relationships within a group, indicating that the *group* should be the target for change.
3. The diagnosis may focus on poor relationships between groups, suggesting that *intergroup* relations should be the target.
4. The diagnosis may suggest that organizational strategy is not matched to market conditions or is not properly appreciated by organizational members at all levels, indicating that the target for change is the whole *organization*.
5. At the *transorganizational* level, the diagnosis may suggest that there is a need to create a lean enterprise including all the organizations contributing to a value stream, or that the way forward might involve seeking a partner for a joint venture or merger.

Depth of intervention

Harrison (1970) argues that the depth of individual emotional involvement can be a key factor in determining whether an intervention will be effective. This factor is concerned with the extent to which core areas of personality or self are the focus of change events. He posits a dimension running from surface to deep. Interventions that focus on external aspects of an individual and deal with the more public and observable aspects of behaviour are located at the surface end of the continuum. Interventions that touch on personal and private perceptions, attitudes or feelings and attempt to affect them are located at the deep end.

Operations research is an example of an intervention that can be classified at the surface end of the continuum, because it is a process of rational analysis that deals with roles and functions without paying much attention to the individual characteristics of the persons occupying these roles. An example of a deeper intervention is 'management by objectives'. This involves a boss and a subordinate establishing mutually agreed goals for performance and monitoring performance against these goals. Typically, the exchange of information is limited to that which is observable. Further

along the continuum are interventions such as management counselling that, for example, might involve a consultant working with managers to increase their awareness of how their personality, role relationships and previous experiences affect their management style. Deeper interventions might involve members of a group discussing with peers the interpersonal processes that affect their contribution to group performance. This kind of intervention can involve group members sharing personal information about themselves, how they perceive their own behaviour and the behaviour of others, and exploring with them how they and others might modify their attitudes, roles and behaviour to improve group performance.

Harrison (1970) argues that as the level of intervention becomes deeper, the information needed to intervene becomes less available. For example, the information needed by the operations researcher is easily obtained because it is often a matter of record, and the information required by those engaged in management by objectives can often be observed. However, people may not be prepared to discuss freely their attitudes and feeling towards others or be open to feedback from others about their own interpersonal style. These considerations led Harrison to suggest the following criterion:

Change agents should intervene at a level no deeper than that required to produce an enduring solution to the problem at hand.

This criterion, while necessary, is not sufficient for determining the depth of intervention. While the change agent may have a view about the nature of the information required and the depth of intervention necessary to produce this information, the change target (individual, group or system) may not be comfortable working at this level. Harrison (1970) argues that any intervention, if it is to be successful, must be legitimized in the norms of the group or organization and must be seen to relate to the felt needs of organizational members. This led him to suggest a second criterion:

Intervene at a level no deeper than that at which the energy and resources of the client can be committed to problem solving and change.

Harrison (1970) suggests that when change agents suspect that the required information is located at a depth greater than that at which the client is comfortable working, they should resolve the dilemma by selecting an intervention on the basis of the second criterion. Once the client has gained confidence, they may be prepared to engage in an intervention that will involve the sharing of information such as attitudes and feelings that they would normally regard as private and confidential.

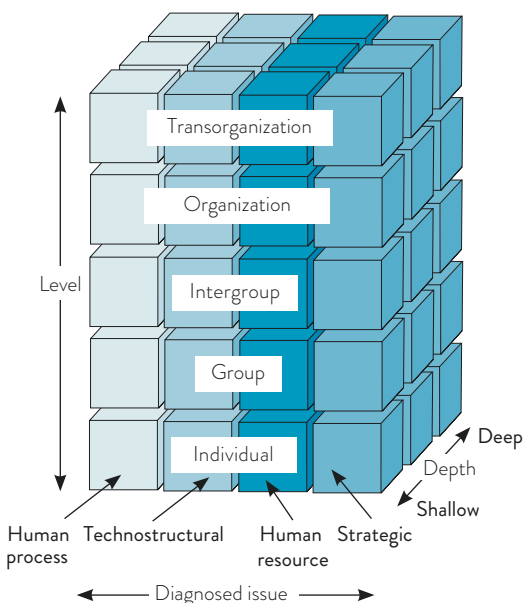


Figure 14.1 A three-dimensional model to aid choice of interventions

A THREE-DIMENSIONAL MODEL TO AID CHOICE

The factors considered so far can be combined to produce a three-dimensional model that can be used as a rough guide for selecting the type of intervention that might be most effective in a given situation. This is presented in [Figure 14.1](#).

[Figures 14.2–14.5](#) provide examples of interventions for each of the four diagnosed issues.

Some cells in [Figures 14.2–14.5](#) are blank because they represent situations that are unlikely to call for an intervention that complies with all three criteria. For example, there may not be many (any?) situations that call for a deep technostructural in-

tervention targeted at the individual. Some interventions could appear in more than one cell. Team building, for example, is an instance of a human process intervention that is targeted at the group. In terms of depth, however, some team-building interventions are shallow and others rather deep. At the shallow end, interventions might only be concerned with agreeing the purpose of the group, indicators of effective performance, and performance strategies that could contribute to achieving this level of performance. On the other hand, at the deep end, interventions could involve an exploration of interpersonal relationships and how these promote or undermine performance.

Figures 14.2–14.5 contain only a sample of the interventions available to change agents. The literature on the management of change is a rich source of other possibilities.

Two additional factors might also influence the choice of intervention: time available and efficacy of intervention.

Time available to implement the change

Where the need for change is urgent and the stakes are high, there may be insufficient time to employ some of the more time-consuming interventions that offer organizational members the opportunity to be involved in deciding what needs to be changed or how the change will be achieved. It might be necessary to restrict choice to those interventions that can be implemented quickly, and this might, for example, involve the use of experts

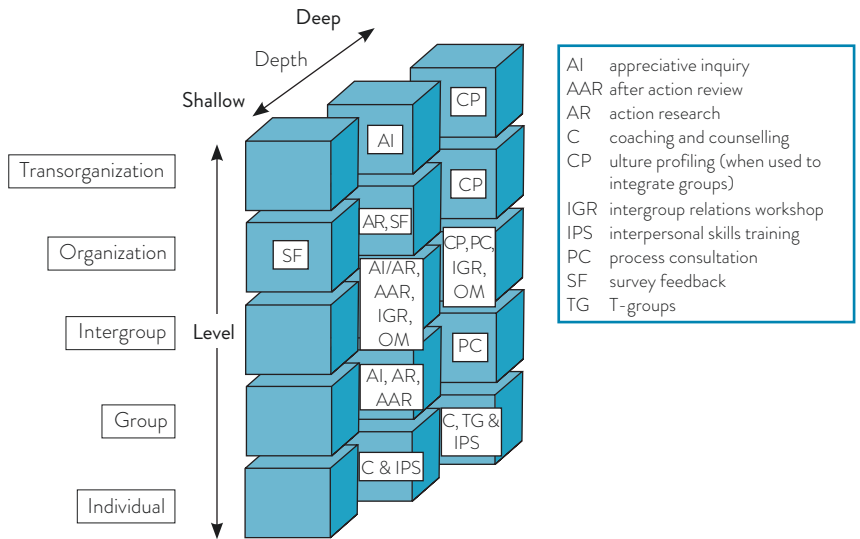


Figure 14.2 Examples of human process interventions

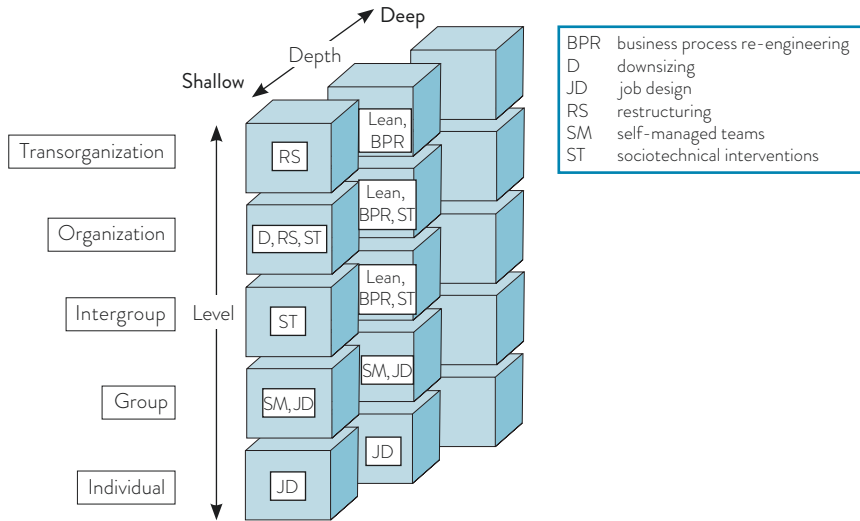


Figure 14.3 Examples of technostructural interventions

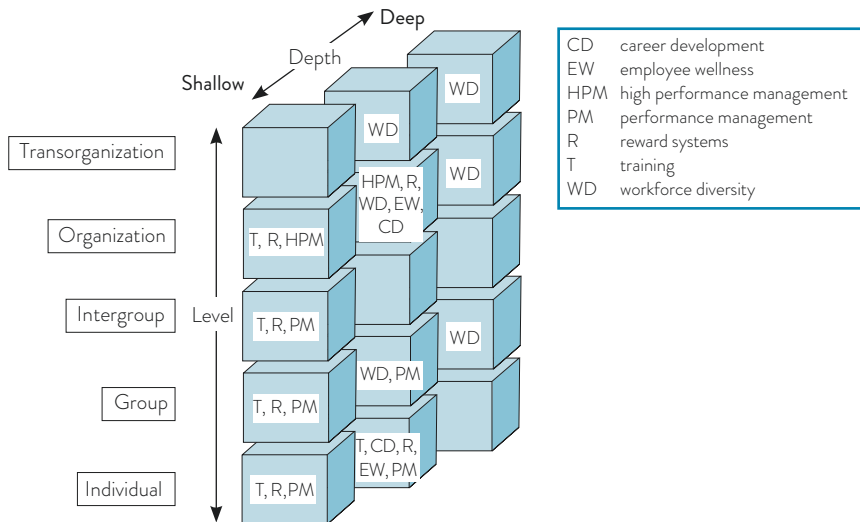


Figure 14.4 Examples of human resource interventions

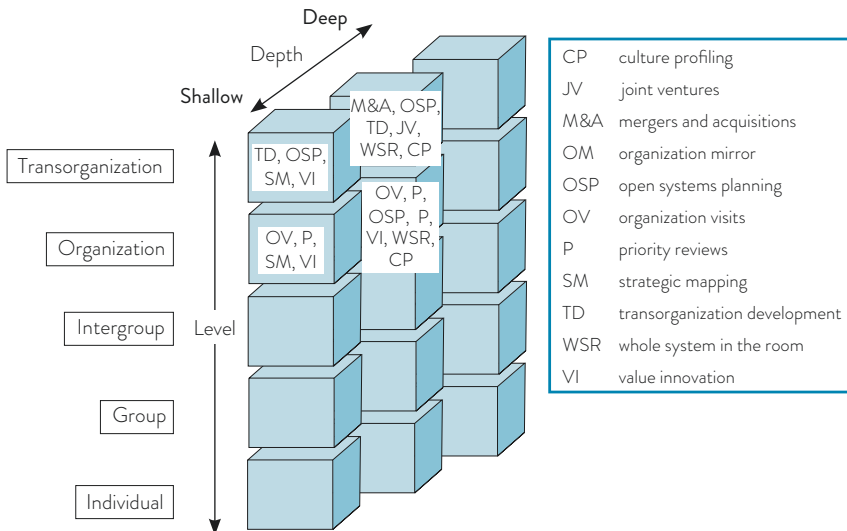


Figure 14.5 Examples of strategic interventions

who can rapidly prescribe solutions. Prescriptive/directive interventions can be effective, especially over the short term and where organizational members recognize the need for this kind of action. However, there is always the possibility that organizational members may resent the way the change was managed, experience little sense of ownership of the process or the outcome, and may therefore only go along with the change so long as their behaviour is being closely supervised and there is a perceived threat of sanctions for noncompliance.

Where the need for change is less pressing, the change agent may be able to consider a much wider range of interventions.

Efficacy of the interventions

A basic question that needs to be addressed when choosing a particular intervention is: ‘Will it produce the intended result?’ Some popular interventions are not always as effective as many would like to believe. There are frequent reports in academic journals and the business press indicating disappointment with the outcome of major change programmes that have involved interventions such as BPR, TQM, job design or interpersonal skills training.

Sometimes, the problem is that the change agents select an ineffective intervention. This kind of problem can be avoided by seeking evidence about the efficacy of interventions from reports, colleagues and elsewhere. Often, however, the problem is not that the intervention is ineffective, but that its success is dependent on a number of contingent factors. In these circumstances, it is important to take account of these factors when selecting interventions. There are many examples of interventions that are affected by contingent variables, three of which are now briefly discussed.

T-group training

T-group training is a form of social skills training that provides participants with an opportunity to increase their awareness about themselves and their impact on others in order to learn how to function more effectively in groups. There is evidence that T-groups can improve skills in diagnosing individual and group behaviour, and lead to clearer communication, greater tolerance, consideration, skill and flexibility, but sometimes this learning and behaviour change may not be transferred to the work situation. Transfer is dependent on a number of factors, one of which is the match between the structures and norms that characterize the work and training situations – the closer the match, the greater the transfer and vice versa.

Job design

Job design is often presented as the universal answer to low commitment and poor performance in situations where people are required to perform repetitive, short cycle, simple tasks. Motivation theory suggests that people will be more committed and will perform best when they are engaged in varied and challenging work that:

- provides feedback about how well they are doing
- allows them to feel personally responsible for outcomes
- offers them the possibility of producing outcomes that are perceived to be worthwhile and meaningful.

In practice, job design has been found to be effective in some circumstances and not in others. One of the most important contingent variables related to the success of this intervention is the level of need that employees are seeking to satisfy at work. Job design appears to be most effective where employees are seeking to satisfy higher order needs for personal growth and development through their work.

Total quality management (TQM)

TQM is an organization-wide, long-term change effort designed to orient all an organization's activities around the concept of quality. Cummings and Worley (2001) report that, in the USA, a survey of Fortune 1000 companies showed that about 75 per cent of them had implemented some form of TQM. They also report that the overwhelming majority (83 per cent) rate their experience with TQM as either positive or very positive. However, other reports of the success of TQM initiatives are much less optimistic.

It is not immediately obvious why TQM interventions are successful in some settings and less so in others, but one possibility relates to the attitude of top management. In those settings where TQM is viewed in instrumental terms, for example as a way of gaining a kite mark such as ISO 9000 that will provide competitive advantage, it may be less successful than where there is a genuine commitment to routinely meeting or exceeding customer expectations. Where the aim is merely to gain a kite mark, organizational members may experience the intervention as a requirement to comply with a new set of rules. This may have little long-term effect on their values and attitudes towards customers.

WHERE THERE IS A NEED TO USE MORE THAN ONE TYPE OF INTERVENTION

Often, it may not be possible to think in terms of selecting a single intervention to respond to an isolated issue, because of the nature of the problem or opportunity, systemic interdependencies and the need to maintain alignment. For example, the recognition of a new opportunity and the decision, by senior management, to intervene in order to develop a strategy to exploit it might require a range of further interventions. The organization may have to introduce a new technology, adapt its structures and systems, introduce new management practices, redesign tasks, reallocate employees to new roles, and provide training to equip people to perform as required. The change agent has to decide whether to pursue them all simultaneously or to sequence them in some way.

Sequencing interventions

The organization's capacity to cope with change is often limited. Consequently, decisions have to be made about priorities and the sequencing of interventions. Several factors can influence these decisions, as outlined below.

Intention

The overall purpose or intention of the change might indicate which aspects of organizational functioning need to be addressed first, which will have implications for the choice of intervention. Where the intention is to transform the organization, interventions that address the transformational

variables, such as mission and strategy, leadership and culture, need to be given priority (see above and Chapter 8 on diagnostic models). Where the intention is to seek an incremental change, the focus of attention might be on the transactional variables identified by Burke and Litwin, such as structure, management practices, systems, work climate and so on.

Politics

The change agent needs to be aware of how political factors might affect which issues might be easiest to tackle first and which interventions are likely to be most acceptable to powerful stakeholders. If the top team has a past record of adopting a tough top-down approach to cutting costs, senior managers may not be supportive of interventions they perceive to be 'soft and woolly' and directed at issues they do not consider to be important. Although there may be a need to work on human process issues such as interpersonal communications and decision making, the change agent might decide to start working on issues such as job design, which might encounter less resistance from powerful stakeholders, and move on to work on other issues after delivering some early successes, which will give stakeholders more confidence in the change agent's ability to deliver change.

Need for an early success

Long-term change efforts can slow down and lose momentum if people lose their initial sense of urgency (see Chapter 21). One way of countering this is to start by working on problems and using interventions that offer the promise of some early successes.

The stakes involved

Priority needs to be given to those interventions that can resolve issues that threaten the survival of the organization. Where survival is not an issue, priority might still be given to issues where the potential gains and losses are relatively high.

Dynamics of change

In some circumstances, the dynamics of change may suggest that the best way to proceed is to adopt an indirect approach rather than addressing the prime issue or change target first. Three issues could be considered.

Causal links

Consideration needs to be given to causal links and the relative strength of the interrelationships between the elements of the organizational system. The Burke-Litwin model points to the relative strength of higher level elements such as strategy, leadership and culture over lower level elements such as structure, systems and management practices. While culture and systems can affect one another, culture is seen to have a stronger influence over systems than vice versa. This kind of consideration can influence which elements are selected as the initial targets for change, thereby influencing the sequencing of interventions.

The effect of groups on individuals

Research evidence suggests that there may be occasions where the most effective way of changing individual behaviour is to intervene at the level of the group (see Chapter 12). Group-level interventions, such as team-building activities designed to produce a more cohesive group, might motivate individuals to change their behaviour to support group goals. A follow-up intervention could then involve training selected individuals to provide them with the competences they need to make a more effective contribution to group performance. If individual training had been the

first intervention, it might have had only limited success because of low member motivation. After a group-level intervention, individual members might be more highly motivated to acquire the competences that will enable them to play a full and active part in the work of the group.

The effect of attitudes on behaviour and vice versa

There have been many debates about whether the most effective route to lasting change is to target attitudes and values first or behaviour first. While there is support for the view that strongly held values and attitudes influence behaviour, the evidence that interventions targeted at values and attitudes can change behaviour is more equivocal. An alternative view is that the most effective route to lasting change is to intervene to create conditions that require people to behave differently, because, over the longer term, attitudes and values will be realigned with the new behaviour.

Porter et al. (1975) offer a third way, suggesting that an effective route to change is to intervene in ways that simultaneously modify structures, in order to create the conditions that will elicit new and desired behaviours, and modify interpersonal processes, in order to address issues of managerial style, attitudes and the social climate of the organization. This approach employs structural interventions to support intrapersonal and interpersonal learning.

Porter et al. suggest that structural interventions might include:

- modifying work structures in order to change how individual employees actually spend most of their time
- modifying control structures in order to determine what individuals attend to
- modifying reward structures in order to influence what individuals will do when they have choice.

While there are no hard-and-fast rules about whether interventions should address interpersonal processes or structures first, there is a growing body of opinion that intervening to change one without the other is less effective than intervening to change both.

✓ EXERCISE 14.1 Choice of interventions

Review some of the change programmes that have been implemented within your organization and, with reference to the content of this chapter, critically assess the choice of interventions. Are you able to identify occasions when inappropriate interventions were used? Give reasons and suggest interventions that might have been more effective.

If you are a full-time student with little work experience, you could either research an organization online, such as the NHS in the UK, or design a mini-research project and interview members of an organization, such as your university or a local company, to identify the type of interventions that were used to achieve change, observe whether they were carefully chosen for particular circumstances, and assess whether inappropriate interventions had been used.

SUMMARY

This chapter examines the factors that need to be considered when selecting which type of intervention to use. Consideration is also given to the factors that can affect decisions regarding the sequencing of interventions in those circumstances where it is necessary to use more than one type of intervention.

Some of the factors that need to be considered when selecting interventions are the diagnosed problem, level of change target and the required depth of intervention. These three factors have been combined to provide a three-dimensional model to aid choice. Two additional factors are also referred to: the time available to implement the change and the efficacy of interventions.

Attention has also been given to the factors that can affect the sequencing of interventions.

✓ EXERCISE 14.2 Reflect on what you have learned from working on the five chapters in Part IV

Based on what you have read and learned from the various exercises in Part IV, identify a short list of questions that could help you and others to assess how well the issues that need to be managed when 'planning and preparing for change' are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part IV in the Introduction to Part IV. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

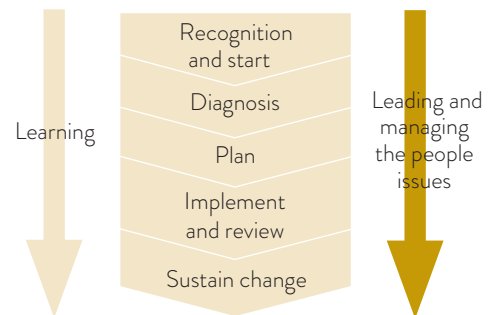
Visit bloomsbury.pub/hayes-change-management-6e for further learning resources.

LEADING AND MANAGING THE PEOPLE ISSUES



INTRODUCTION TO PART V

Leaders need to attend to people issues throughout the whole change process. A common mistake many leaders make is to treat the early stages of recognizing the need for change and diagnosing what needs to be changed as technical activities that can be managed without reference to those who might be affected by the change. It is not unusual for 'expert' change agents to decide when and where change is required and to define change objectives without taking into account the concerns of stakeholders or recognizing the ways in which they can contribute to or sabotage the change process. The Triumph case study, which is described in two parts, illustrates how people issues can affect whether the change will succeed or fail.



CASE STUDY V Triumph: sourcing components from cost-competitive countries, Part 1

A slowdown in the growth of profits led a large US producer of outdoor power equipment, referred to here as Triumph, to review its operations and explore what could be done to improve profitability. Two possibilities were identified. One was to adopt some of the lean manufacturing processes developed by Toyota to eliminate waste and the other was to source more of its components from cost-competitive countries.

Here, attention is focused on the sourcing project (the lean manufacturing project did not start until two years later). The opportunity for sourcing from cost-competitive countries was identified by the deputy head of procurement. She persuaded her boss, the director of procurement, that sourcing components from cost-competitive countries could deliver benefits for their department and the company as a whole. Initially, he was not convinced but his deputy persisted and challenged his thinking. Eventually, he was persuaded and he tabled the proposal at a meeting of the executive team. The CEO was impressed and tasked the director of procurement to undertake an exploratory study and report back as soon as possible. The outcome was the decision to set up a small procurement office in Mumbai, India. A business plan was prepared and approved by the executive committee, the head of product development was tasked to set up and chair a steering committee to oversee the project, and the director of procurement was told to set up a task force to progress the project.

The director of procurement recognized the importance of populating the steering committee with people likely to support the project. It was not his committee, but he recommended the appointment of two second-tier managers from the manufacturing function who he knew would champion the new venture.

Careful attention was given to planning. The task force sought input from those working on procurement at HQ and from managers in all the manufacturing units. They also collected information from managers working in product development, quality and logistics, and visited potential suppliers in India. At every stage of the process, they reported back to the steering committee and eventually produced a detailed plan for the new procurement unit, including proposals for how the unit would be structured (it would mirror the structure of the purchasing department at HQ) and the job

specifications for the eight staff who would be located in Mumbai. It was proposed that five members of the new unit would be current Triumph employees who had been working in procurement in the USA and had a good knowledge of the company, and three would be recruited locally to ensure that the unit had sufficient experience of doing business in India.

Before starting work in India, the five existing Triumph staff spent time meeting colleagues in all the departments that would receive and/or use the imported components, and the staff who had been recruited in Mumbai (two Indians and one German) were flown over to the USA to learn about Triumph, its products, manufacturing processes, systems and procedures.

Before reading on, list those ‘people issues’ you thought had been managed in a way that could help the change to succeed. Now identify any ‘people issues’ that might not have been managed as well as they could have been.

CASE STUDY V Triumph: sourcing components from cost-competitive countries, Part 2

When they arrived in India, the members of the new unit started to develop links with potential suppliers. During this early phase, there were many occasions when they needed information about technical specifications, production schedules and so on from colleagues working for Triumph in the USA but, to their surprise, they found that their requests were often dealt with slowly and information was sometimes withheld. They began to feel that US-based staff regarded them as outsiders and no longer members of the ‘home team’.

This reaction was very different to the way they had been received when they were in the USA setting up the operation. At that point, sourcing from cost-competitive countries was the ‘flavour of the month’, it was being championed by top management and everybody seemed to be supporting the project. But, as the project was being implemented, this enthusiasm seemed to evaporate. Appeals to members of the steering committee to bring their influence to bear on those who seemed to be dragging their feet had little effect. This began to undermine the morale of those working in India, especially the five US expatriates. Without the support they received from the three locally based members of the Mumbai team, this could have been an even more difficult time for them. The head of the unit decided to fly back to the USA to secure the support necessary to get the project back on track.

Within a few days, he identified a number of problems:

- A new CEO had been appointed and she had new priorities that were dominating the top team’s agenda. While the top team still supported the sourcing project, they had less time to champion it across the organization.
- Early on, when senior managers were communicating a strong message that the sourcing project was a priority for the top team, managers across the company complied and went along with it but, with the benefit of hindsight, it appeared that some were never fully committed. When the top team’s attention was diverted elsewhere, this lack of commitment began to surface.
- Support remained strong in the procurement department because they had much to gain. Sourcing from low-cost countries would help the department meet its objective to reduce procurement costs.
- Support elsewhere was weak because they had little to gain and could lose out if the project was not 100 per cent successful. Managers in the manufacturing units had reservations, because they felt that it might be more difficult for Indian suppliers to meet their JIT delivery requirements and production could be halted because shipments were delayed at some point in their journey from distant locations across India. They also feared that they might have to guard against this possibility by increasing inventory levels. Quality assurance was another department that felt that it had much to lose and little to gain from the new sourcing policy. Staff feared that unknown Indian suppliers might not be able to provide the near-zero defect rate they enjoyed from existing suppliers.
- When the head of the Mumbai unit turned to the steering committee for help, he found that there was little that this group of managers could (or were willing to) do. While membership of the committee represented all interested and affected departments, the individual managers appointed to the committee were not always sufficiently powerful in their home departments to influence opinion. They also had conflicting interests. As members of the steering committee, they could appreciate the value of the project for the organization as a

whole, but they were also under pressure from colleagues to protect the interests of their home departments.

Six months later, the sourcing project was still limping along, but it was not delivering the benefits that had been anticipated at the start.

1. **If you were the director of procurement, what could you have done differently that would have helped to ensure the success of the project?**
2. **Think about this question as you read through Chapters 15–22, and draw on the content of these chapters to give reasons for your answer.**

This two-part Triumph case study provides many examples of how people-related issues affected the success of the project. These issues will be looked at in more depth in some of the chapters that make up Part V. A short synopsis of each chapter is presented below, together with a paragraph indicating how the content relates to the Triumph case.

Chapter 15 Building change relationships

Chapter 15 examines the importance of building effective relationships between those leading and those involved in the change. The strengths and weaknesses of five different modes of facilitating change are reviewed.

Link to the Triumph case: The deputy head of procurement had developed a working relationship that allowed her to challenge her boss to reconsider his initial response to her proposal to source some components from cost-competitive countries. Many of those involved in the project, especially early on, worked hard to develop a collaborative relationship with the managers who might be affected by the change in order to win their support.

Chapter 16 The role of leadership

The first part of Chapter 16 draws on theory to identify seven tasks that leaders need to perform in order to ensure change success. These are: sense making, visioning, sense giving, aligning, enabling, supporting and maintaining momentum, and sustaining the change. While it is recognized that a strong vision can make a valuable contribution to the success of a change initiative, some factors that might render the vision unfit for purpose are reviewed. Attention is also given to communicating the vision in a way that will align people behind it. The second part of the chapter focuses attention on distributed leadership.

Link to the Triumph case: Sense making, visioning and sense giving had a role to play. The deputy head of procurement saw an opportunity to reduce costs. She shared her idea, her 'vision', with her boss, convinced him of its merit and he took it to the CEO and the executive committee and won their approval to take the project forward. Part 2 also illustrates that when leadership tasks such as aligning, enabling, supporting and maintaining momentum are not performed effectively, this can undermine the success of a change initiative.

Chapter 17 Power, politics and stakeholder management

Chapter 17 explores the politics of organizational change and points to the importance of enlisting support from key stakeholders.

Link to the Triumph case: Part 1 showed how the director of procurement and his deputy worked hard to secure the support of powerful stakeholders (the CEO and members of the executive committee) and build a critical mass of support for the change by doing what they could to ensure that the steering committee was populated by influential people from across the organization who were likely to support the project. Part 2 demonstrated how members of the task force and the team that were to lead the project in India also invested a lot of time enlisting the support of others who would be affected by the change. However, as time passed and the situation changed, many of those affected by the change, including members of the steering committee, developed new priorities and conflicts of interest that eroded support for the change.

Chapter 18 Responsible change management: an ethical approach

Chapter 18 challenges the assumption that those with power should always prevail (might is always right), and focuses attention on the need for individuals and organizations to exercise power in a responsible way. While many agree that

responsible behaviour involves doing the right thing towards others, there is little consensus about who these 'others' are and what 'doing the right thing' involves.

Link to the Triumph case: Members of the new procurement unit working in India felt let down by members of the steering committee and managers across the organization who had promised their support.

Chapter 19 Managing context to promote ethical practice

Responsible leadership does not occur in a vacuum. Chapter 19 focuses attention on the organizational and wider social context within which individuals operate and considers how this can affect whether any good intentions will be translated into ethical practice. The second part identifies practical measures that can promote responsible behaviour at every level in an organization.

Link to the Triumph case: While most of the people involved in the Triumph case appeared to behave in a responsible way, members of the steering committee were confronted by some ethical issues when members of their own departments put pressure on them to defend their departmental interests rather than championing the sourcing project.

Chapter 20 Communicating change

The quality of communications can have an important impact on the success or otherwise of a change. It can, for example, affect whether the need for change is recognized in good time and whether people will be motivated to support the change. Chapter 20 explores the value of a clear communication strategy and examines some of the issues that those leading a change need to consider when formulating a coherent approach to communicating change.

Link to the Triumph case: Part 2 revealed that the CEO who was in place when the project was started moved on. The new CEO introduced different priorities that began to dominate the top team's agenda. Consequently, while some members of the executive committee continued to support the sourcing project, they had less time to champion it across the organization and circumstances forced them to take their 'eyes off the ball'. Managers down the line also began to develop new priorities that undermined their commitment to sourcing from cost-competitive countries. The lack of attention from senior managers communicated the message that the procurement project was no longer a high priority, and managers down the line interpreted this as a signal that they could give more attention to their own priorities.

The director of procurement contributed to this problem because he failed to detect this dip in support. Communication was also an issue for the leader of the team in India when he began to experience problems maintaining his relationship with colleagues back in the USA.

Chapter 21 Motivating others to change

Motivating others to change is a key challenge for leaders. Efforts often fail because those leading the change pay insufficient attention to winning the support of those who can affect the outcome of the change. Chapter 21 considers the nature of commitment and how this can affect the level of support for change, identifies some of the most common sources of resistance to change, and explores the utility of expectancy theory for assessing and managing resistance to change.

Link to the Triumph case: Early on, the CEO and other senior managers were motivated to support the project and their enthusiasm persuaded others to throw their weight behind it, but this motivation was not sustained. Within the procurement department, when the project was launched, members were highly motivated to be selected to work on it in India, because they had been told that it would raise their profile in the company and help them secure advancement. Later, as support for the project waned, the project leader was even more highly motivated to make the project a success, but others began to feel that it would not deliver the promised benefits. Low motivation could be a major threat to the eventual success of the project.

Chapter 22 Supporting others through change

Chapter 22 addresses the way organizational members experience change. It examines the response to change, irrespective of whether the change is viewed as an opportunity or a threat, as a progression through a number of stages of psychological reaction. It also considers how an understanding of the way individuals react to change can help

managers to plan and implement organizational change in ways that will maximize benefit and minimize cost for the organization and those affected by the change.

Link to the Triumph case: As 'back home' support for the project began to evaporate, members of the Mumbai team started to feel isolated and abandoned. It was difficult for everybody, especially the US expats, and three of them, after the initial excitement, experienced serious problems adjusting to their new circumstances. It was largely because of the support they received from their colleagues who were already living in India that they were able to continue working in Mumbai.

✓ EXERCISE PART V Useful questions for reviewing your approach to leading people through change

In Chapter 2, after discussing each stage in the process model of change management, your attention was drawn to a number of questions that might help you assess how well a change is being (or was) managed. All these questions are summarized in [Figure 2.3](#) and the questions relating to leading people through change are listed below:

- Do leaders empathize with others and understand how they might react to the possibility of change?
- Do they act ethically and in ways that will promote trust and win commitment?
- Do they identify and engage those individuals and groups who can affect the success of the change?
- Are they good communicators?
- Do they empower others to contribute to the change?
- Do they support those who are threatened by the change?

Reflect on and review these questions and, after reading the seven chapters in Part V, revise this list and generate your own set of useful questions that you might find it helpful to refer to when you are leading a change.



BUILDING CHANGE RELATIONSHIPS

LEARNING OBJECTIVES

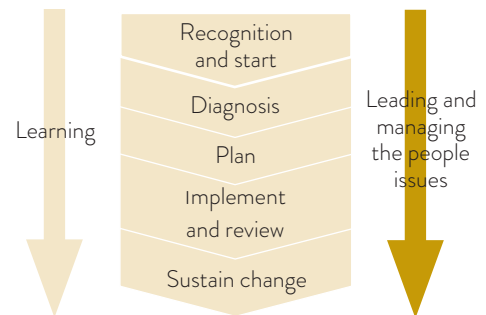
After reading this chapter you will be able to:

1. Identify the most effective ways of relating with clients in order to facilitate change.
2. Critically assess the advantages and disadvantages of prescriptive interventions.
3. Identify when supportive interventions could make a positive difference.
4. Challenge others when their unwillingness to face up to reality is undermining their ability to act effectively.
5. Help others collect data that they can use to manage their own problems.
6. Recognize when to adjust your mode of intervening as people's needs change.
7. Behave in ways that demonstrate genuine respect for the people you are working with.

Some of the issues that can affect the quality of a change relationship, such as confidence and trust, were discussed in Chapter 5. This chapter focuses on five modes of intervening and discusses the importance of change agents demonstrating a genuine respect for the people they are working with.

When people think about change agents, they often only think about external consultants, but within organizations, there are many people who occupy roles that are almost exclusively concerned with facilitating change. These people include systems analysts, business development advisers and project managers, to name but a few. There are also many managers who, as part of their normal day-to-day responsibilities, intervene to facilitate change. They contribute to the introduction of new working practices, finding ways of reducing costs, helping staff to develop better relationships with customers, helping others to identify and exploit opportunities offered by changing circumstances, or assisting colleagues who are experiencing problems that are affecting their performance or general wellbeing. Throughout this chapter, all those who facilitate change will be referred to as 'change agents' or 'helpers', and those who are being helped – whether colleagues, subordinates, or clients in the more conventional sense – will be referred to as 'clients'.

Much has been written about the skills required by change agents. Greiner and Metzger (1983) refer to a wide range of skills but argue that consulting and facilitating change are essentially human enterprises and, irrespective of whether the problem being addressed concerns a new accounting system or the need for better strategic planning, the success of the project will be largely determined by the quality of the change agent's interactions with the client or client group. Margerison (2000) echoes this view and highlights the importance of personal and interpersonal skills. It is these skills that will be the focus of attention in this chapter.

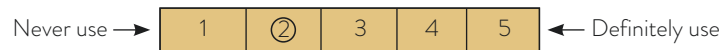


INTERVENTION STYLES

Change agents can intervene to help in many different ways. The intervention style indicator below has been designed to help you to identify what your preferred approach to facilitating change would be. You might find it useful to complete it now and refer back to your intervention style profile as you read on. It will provide you with a point of reference when thinking about how you might improve the effectiveness of your helping interventions in future.

✓ EXERCISE 15.1 The intervention style indicator

Five scenarios (problem situations) are presented and, for each case, there are five examples of how a change agent/helper could respond. For *each* of the five responses to each case, circle the number on the scale that most closely reflects the probability that you would use that response. For example:



There are no right or wrong answers.

Scenario A

A newly appointed supervisor has complained to you that her subordinates are hostile, moody, only hear what they choose to hear, and often fail to obey instructions. She likened their behaviour to rebellious school children who are determined to 'break' the new teacher. Her account placed all the blame for the rapidly deteriorating situation onto her subordinates. You had not expected this kind of conversation because she had joined the company with glowing references and a 10-year record of successful people management. In addition, her work group has never been the source of problems before. All of them have been with the company for at least 10 months, most are well qualified and two have recently been through the company's assessment centre and have been identified as having potential for promotion.

How likely is it that you would use each of the following responses? Circle one number on each of the five scales.

1. Introduce the supervisor to a theory that might help her better understand the situation. For example, you might explain the basics of transactional analysis and ask her to apply it to her problem and consider whether her subordinates see her as a controlling parent dealing with a group of inexperienced children rather than an adult interacting with other competent adults, and speculate how she might apply the theory to improve the situation.

A1 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

2. Tell her that she has failed to recognize the quality of her subordinates, she is undervaluing the contribution they can make, and she needs to delegate more and give them greater responsibility.

A2 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

3. Listen carefully and attempt to see the problem through her eyes in the hope that, by being supportive, you can encourage her to open up and tell her story, which, in turn, may help her to develop a better understanding of the problem and what needs to be done about it.

A3 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

4. Suggest to her that it may not only be her subordinates who hear what they choose to hear, and ask her if she has really paid attention to all the messages she has been sent by the members of her work group.

A4 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

5. Help her to get to the bottom of the problem by assisting her to gather more information, which she can use to develop a better understanding of what is going on and what can be done to improve matters.

A5 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

Scenario B

You have been approached by the head of a strategic business unit in your organization with a request for help. She has been in post for six months and has come to the view that the way her top team is working together is adversely affecting performance.

How likely is it that you would use each of the following responses? Circle one number on each of the five scales.

- Offer to collect information from people who are affected by how well the team is performing and feed this back to her and her senior colleagues to help them review their performance and agree what they need to do to improve matters.

B1 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- Offer to bring in a trainer to run a workshop for her top team, which would introduce them to the concept of team roles and help them use Belbin's model of team roles to diagnose how well they are working together and what they might do to improve their performance.

B2 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- Adopt a supportive approach and encourage her to talk about her concerns in order to help her clarify her own thoughts and feelings and develop for herself a better understanding of the situation.

B3 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- Interview all members of her top team and the people who are affected by how well the team is performing in order to prepare a report that lists a set of recommendations that she should implement to improve the situation.

B4 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- Focus attention on her behaviour and consider whether this might be contributing to the problem. This approach might involve challenging some of the assumptions she is making and/or drawing attention to discrepancies between what she says she does and what you observe her doing.

B5 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

Scenario C

You are the HR manager of a large utility company. An employee (a 40-year-old widower) was recently promoted and moved from a busy office in the city, where he had spent most of his working life, to manage a small but strategically important office in a relatively isolated small town. He has come to see you because he is unhappy with the new job. He misses his friends, does not enjoy being the boss in a situation where he has no colleagues he can relate to, and he reports that the people who live locally are cliquish, aloof and unfriendly.

How likely is it that you would use each of the following responses? Circle one number on each of the five scales.

- Tell him there is a vacancy at his old grade in the department he used to work in and indicate that you think the best solution would be for him to move back.

C1 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- Explore how he feels about the situation without passing judgement or jumping to conclusions. Make sure that you really understand why he is unhappy and do everything you can to help him clarify his own feelings about what the problem might be. You might listen hard to what he has to say and then reflect back to him the essence of what you think you heard. For example: 'What you seem to be saying is ... Have I got it right?'

C2 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

3. Help him adopt a balanced problem-solving approach and encourage him to thoroughly explore every aspect of the problem and, where necessary, gather information that might help him identify and evaluate possible solutions; for example, by helping him to identify opportunities to meet new people.

C3 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

4. Give him the kind of feedback that might push him into taking a new initiative; for example, by telling him that you have listened to what he has said and not once heard him mention anything he has actually done to try to make new friends; in fact, all he seems to do is moan about others and complain that they do nothing to make him welcome. You might try to encourage him into action by asking him if he has thought about what he might do that would make others want to get to know him better.

C4 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

5. Lend him a copy of Dale Carnegie's book *How to Win Friends and Influence People* (1936) and suggest that if he could master some of the techniques and skills it contains, he might more easily make new friends.

C5 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

Scenario D

The CEO of a fast-growing software company has approached you for help following the second time in 12 months that a project team has failed to deliver a major project within budget and on time. She told you that, on both occasions, similar problems appear to have been associated with the failures. She also told you that relationships between members of the project team have deteriorated and they all appear to be blaming each other for the failures.

How likely is it that you would use each of the following responses? Circle one number on each of the five scales.

1. Interview the CEO and the manager in charge of the project team to ensure that you have a good understanding of what happened before advising the CEO what she should do to ensure that future projects will be managed more efficiently and effectively.

D1 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

2. Run a workshop on new approaches to managing projects and use the models presented to help team members review the way they managed the last two projects and identify lessons they might use to inform the way they will manage the next project.

D2 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

3. Talk to each member of the team individually in order to help them express any frustrations, anxieties or other feelings that might be inhibiting their ability to make an objective assessment of the situation.

D3 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

4. Interview all members of the project team and other stakeholders in order to identify key issues related to the failures, and then convene a workshop where you can feed this information back and use it to stimulate a discussion of the problem and help them explore ways of improving their performance.

D4 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

5. Work with the CEO to help her clarify the issues she wants to raise with the project team, and then facilitate a meeting where she can confront members with her concerns.

D5 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

Scenario E

A colleague has come to you for help. He does not want to be an autocratic boss and believes that people work best when they are given the freedom to get on with their jobs. However, his department is beginning to gain a reputation for not getting it right. He has explained that while he always tries to pursue an open-door policy, there are some people who never cross his threshold. Consequently, he is badly informed and avoidable mistakes have been made. He is obviously upset and you suspect that he has just had a rather fraught meeting with his manager about this.

How likely is it that you would use each of the following responses? Circle one number on each of the five scales.

- Share with him a similar problem you once had and tell him what you did about it. Also, suggest that there can come a time when democracy has to go out of the window and you have to read the riot act, which is what he should do now.

E1 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- Tell him about a theory you are familiar with, which argues that the best style of leadership might vary from one situation to another, and suggest that one way forward might be for him to consider whether his current style appears to be a 'best fit', or whether the theory would suggest an alternative leadership style.

E2 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- On the basis of what you have observed, challenge his view that he always operates an open-door policy. You might, for example, tell him that you have heard that he is never around when he is needed, and that, while he might believe he is approachable, others see him as aloof and distant. You might follow this up by asking him to consider how true this is.

E3 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- You can see that he is upset, so decide that the best thing you can do is to sit him down with a cup of coffee and let him get it off his chest.

E4 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

- Help him identify some specific circumstances where things have gone wrong, and then question him about a number of these problems to sort out precisely what happened and whether there are any patterns he could do something about.

E5 Never use →

1	2	3	4	5
---	---	---	---	---

 ← Definitely use

Scoring

In the grid below, all the available responses to each case have been arranged into columns that reflect five different styles of helping:

- Taking each scenario in turn, enter the *number you circled* for each response alongside the appropriate response code in the grid. For example, for case A, you may have circled ② for response A1, so enter '2' in the square for A1, and you may have circled ⑤ for response A2, so enter '5' in the square for A2, and so on.
- NB: For cases B to E, the response codes are presented in different sequences and are *not* arranged in order from 1 to 5.
- Calculate the total score for each column and enter this in the box provided. The total score for each column indicates your relative preference for the different helping styles.

Response grid										
	Theorizing		Advising		Supporting		Challenging		Information gathering	
Scenario A	A1		A2		A3		A4		A5	
NB: From B to E, the response codes are not arranged in order from 1 to 5										
Scenario B	B2		B4		B3		B5		B1	
Scenario C	C5		C1		C2		C4		C3	
Scenario D	D2		D1		D3		D5		D4	
Scenario E	E2		E1		E4		E3		E5	
TOTAL										

You should now have a score for all five modes of intervening. Note whether your scores are equally spread across all five intervention styles, or whether your response pattern indicates that you prefer to use one or two approaches more than the other modes of intervening. You might find it useful to keep this information to hand and refer back to it at relevant points during the chapter.

THE GOAL OF INTERVENING

Change agents intervene to facilitate change. Blake and Mouton (1986) describe their interventions as ‘cycle-breaking endeavours.’ They argue that behaviour tends to be cyclical in character, that is, sequences of behaviour are repeated within specific time periods or particular contexts or settings. Some of these patterns of behaviour are advantageous to the client or client group, but some do little to promote their interests and may even be harmful (see the discussion of path dependence in Chapter 1). Blake and Mouton go on to argue that individuals, groups or larger client systems such as entire organizations may engage in behaviour cycles by force of habit. They may not be conscious of the possibility of harmful or self-defeating consequences. They may be aware that things are not going well, but they may not understand why or what they could do to improve matters. The change agent’s function is to help clients identify and break out of these damaging kinds of cycles.

This cycle-breaking endeavour can take many forms. It can be prescriptive or collaborative. Egan (2004) argues that problem management and opportunity development are not things that change agents do *to* clients. He advocates a collaborative approach that involves clients achieving their goals through the facilitation of the change agent. However, much of the help offered by external consultants and internal change agents is not collaborative in nature, as we will see below.

The five modes of intervening featured in the intervention style indicator – advising, supporting, theorizing, challenging and information gathering – are now discussed.

PRESCRIPTIVE MODE OF INTERVENING: ADVISING

The mode of intervening referred to as ‘advising’ on the intervention style indicator is prescriptive. Many change agents, such as those following the principles of scientific management, referred to in Chapter 12, intervene by giving advice and telling others what to do in order to rectify problems or develop opportunities. Change agents who adopt this mode of intervening assume that they have a greater level of relevant expertise than their clients and can discern their real needs. They also appear to assume that clients lack the necessary competence to either make a sound diagnosis or plan corrective actions for themselves.

In many circumstances, consultants or change managers can see a solution because they are more experienced than their clients, but if they intervene by offering advice and telling people what to do, they deprive them of the opportunity to learn how to solve the problem for themselves. Clients can become dependent on the change agent and the next time they experience a difficulty, they have to seek help again.

Often, clients actively seek advice, especially when they are under great pressure to find a solution and/or when they have tried to solve the problem a number of different ways to no avail. Steele (1969) argues that the needs and attitudes of the client and the change agent may propel the change agent towards exclusive occupancy of the role of expert in their relationship, and in those circumstances where the client accepts the change agent as expert, there may be some benefits. However, he also identifies some costs. One is increased dependency and the other has to do with the change agent's neglect of clients' knowledge about their own problem. Even where clients do not attempt to withhold this knowledge, the helper may choose to ignore it.

Moreover, although clients often seek advice, there are circumstances when they may reject any advice they are offered. For example, they are likely to reject advice when they lack confidence in the expertise of the change agent, or when it is offered by a change agent who appears to be insensitive to their needs.

COLLABORATIVE MODES OF INTERVENING

The other four modes of intervening – supporting, theorizing, challenging and information gathering – are non-prescriptive. Change agents adopting these approaches work with clients to help them develop opportunities or manage their own problems rather than intervene by telling them what they should do.

A number of factors, such as emotional states, a lack of information, or unfamiliarity with concepts and theories that could help, can contribute to clients being ineffective opportunity developers or problem managers. There is also the possibility that they have already tried to introduce changes and their efforts have failed to deliver the desired outcomes. All these conditions can contribute to clients lacking confidence in their own ability.

Seligman's (1975) theory of learned helplessness, discussed in Chapter 7, states that when individuals are subjected to events that are uncontrollable, they will develop expectations of non-contingency between response and outcome. The theory suggests that the incentive for clients to initiate activity directed towards resolving a problem depends on their expectation that responding will produce some improvement to the problematic situation. If clients have no confidence in their own ability to achieve any improvement, they will not try.

Abramson et al. (1978) distinguish between 'universal helplessness' – where the client believes that the problem is unsolvable by anyone – and 'personal helplessness' – where the client believes that the problem is solvable by the helper but not by the self. The danger with the prescriptive/advising approach to helping is that it can promote a sense of personal helplessness in the client, and the client may become dependent on the help of others.

Egan (2004) discusses the notion of 'empowerment' in the helping relationship. He notes that some people come to believe, sometimes from an early age, that there is nothing they can do about certain life situations. They engage in disabling self-talk (see Ellis, 1977) and tell themselves that they cannot manage certain situations and they cannot cope. Egan's position is that whether clients are victims of their own doing or the doings of others, they can and must take an active part in managing their own problems, including the search for solutions and efforts towards achieving those solutions. Egan also argues that helpers can do a great deal in facilitating people to develop a sense of agency or self-efficacy. They can help clients to challenge self-defeating beliefs and attitudes about themselves and the situation, to develop the knowledge, skills and resources they need to succeed, and to encourage them to take reasonable risks and support them when they do. The function of the change agent, according to Egan, is to encourage clients to apply a problem-solving approach to their current situation and to learn from this experience, so that, over the longer term, they will apply this approach again to future situations.

The collaborative modes of intervening discussed below involve supporting clients, providing them with concepts and theories to help them make sense of situations and identify what can be

done to improve matters, challenging and confronting their assumptions, attitudes and behaviours, and helping them identify and acquire the information they need to manage the situation more effectively.

Supportive approach

The supportive mode of intervening involves the change agent working with others to help them clarify their views and express feelings and emotions that impede objective thinking about a problem or opportunity.

Margerison (2000) refers to change agents helping clients to give themselves permission. In the first instance, this involves clients giving themselves permission to talk about difficult issues, which leads on to giving themselves permission to act rather than to worry. He reports that, in his consulting experience, an effective intervention has sometimes been to just listen and help managers to open up difficult areas and talk about matters they have so far avoided. He observes that clients appear to experience this kind of intervention as a great relief. Change agents adopting a supportive mode of intervening listen empathetically, withhold any judgement, and help clients develop for themselves a more objective view of the situation. It is assumed that this new level of awareness will often be sufficient to help them go on and solve the problem for themselves. Coaches, mentors and counsellors often use this approach when they suspect that clients are experiencing emotions, such as anger or lack of confidence, that undermine their ability to manage difficult situations (see Chapter 12).

Supportive interventions have many similarities with the way client-centred counsellors and social workers work with their clients (Rogers, 1958). They listen, reflect and sometimes interpret what clients have to say about themselves and their relationship with others and the situation, but they do not intervene or develop any active strategies for dealing with clients' problems. It is a person-centred, as opposed to a problem-centred, approach to helping. Example 15.1 will help to clarify how this approach can be effective.

EXAMPLE 15.1 Using a supportive approach in an Indian fintech startup

A software engineer, working for an unusual fintech (financial technology) startup in Mumbai that had based its success on a *jugaad*-like approach that involved thoroughly researching end users' needs and designing frugal solutions, stormed into a scheduled meeting with his mentor complaining about a fellow engineer who had joined the company just six weeks previously. 'He's done it again', he complained. 'Done what?', enquired the mentor. The engineer then launched into a string of complaints, describing his new colleague as a knowledge parasite who sucked up other people's ideas, sharing none of his own, and then presenting proposals to their team leader as if they were 100 per cent his own. He went on to describe how 'the parasite' had 'stolen some of my best ideas'. He also complained that he was undermining the way their group works: 'Bouncing ideas around and piggybacking on each other's suggestions has been the key to our success.'

Throughout this tirade, the mentor maintained a neutral stance and refrained from making any evaluations about the engineer's complaints. He assumed the role of active listener and did little more than reflect his understanding by repeating the essence of what he had been told. For example, in response to the complaint about failing to attribute contributions from others, he said: 'I see, you feel he is failing to acknowledge your contribution', and in response to the accusation of him playing his own cards close to his chest, his response was: 'You feel that he keeps his own ideas to himself.'

In this case, the mentor's strategy was to allow the software engineer to vent his anger because he believed that until he had done this, he would be too frustrated to think clearly. It appeared to work. Slowly, as the tension eased, the conversation moved away from gripes towards problem solving. The mentor confined his interventions to supportive listening and clarifying, but eventually the engineer (client) began to work through his problems for himself.

Supportive modes of intervening can be effective, but there are situations where this approach to helping clients develop a better understanding of their situation may not be sufficient to produce

change. In these circumstances, other modes of intervening might be required, but supporting can still play an important role in the early stages.

Theorizing approach

The theorizing approach involves change agents identifying theories and conceptual models that are pertinent to the clients' problem situation, presenting these to clients and helping them learn to use them to facilitate a better understanding of their situation in an analytical cause-and-effect fashion. The change agents then build on this understanding and use it to help clients identify what they can do to move towards a more desirable state of affairs.

This mode of intervening might be adopted when change agents feel that some kind of theoretical framework could help clients to organize their thoughts and provide the basis for a fresh appraisal of their predicament. For example, the stakeholder grid (Chapter 17) might be used to help a management team identify important stakeholders and develop strategies for winning their support, or the Burke-Litwin causal model of organizational performance (Chapter 8) might be used to focus attention on important cause-and-effect relationships that affect performance. Change agents can also use theories to facilitate the discussion of potentially delicate or sensitive issues. For example, a discussion of Belbin's (1993) team roles might provide a relatively safe and non-threatening way of exploring how members of a management team work together.

This theory-based approach can also provide a way of exploring and testing implicit assumptions and values in a way that avoids direct confrontation, and it can provide a basis for increasing the client's capacity for independent action. Force-field analysis (introduced in Chapter 2) also offers an approach that clients can use to help understand their predicament and identify a viable course of action, as shown in Example 15.2.

EXAMPLE 15.2 Using force-field analysis in a multinational auto components manufacturer

Bill had been recruited by a large multinational auto components manufacturer to transform the organization's manufacturing capability so that it could regain its previous world-class status and ensure its survival in an increasingly competitive environment. Sometime after his appointment, he began to worry about his lack of progress. The senior managers of the operating divisions located in several countries around the world were resisting his efforts to introduce change. An external consultant met Bill when he was working on another project in the company. They talked about the problem for 20 minutes and Bill suggested a further conversation, which happened the following week.

The story Bill told revealed a complex set of related problems but eventually he focused on an immediate goal, which was to engage more effectively with senior managers and persuade them to provide him with detailed information about the current situation in the manufacturing units for which they were responsible. Initially, Bill focused on why managers should provide him with this information. He needed it in order to assess how well the group was doing in relation to leading competitors and to assess the company's strengths and weaknesses in terms of its current manufacturing technology. He also wanted to be in a position to identify opportunities for rationalization and areas where efforts to introduce new technologies might be productive. He expressed a genuine desire to help divisions raise their performance and felt that the information he was seeking would help him make this contribution. He also felt that the information would be valuable to managers for their own use within their own divisions. Given all these powerful reasons why the provision of this information was in the company's best interests, he failed to understand why divisional managers insisted on keeping him at arm's length and were resistant to his requests for information.

In terms of Lewin's force-field (1951), Bill had focused his attention on the driving forces. His initial plan for achieving his goal was to further increase these driving forces by enlisting the support of the CEO and asking him to instruct the divisional managers to comply with his requests for detailed information. At this point, the consultant introduced Bill to force-field analysis, suggesting that before he pursued this course of action, Bill might consider some of the restraining forces. Why were the divisional managers resisting his requests and was there anything Bill could do to lower this resistance? (In Chapter 2, it was noted that Lewin favoured action directed towards reducing restraining forces.) The consultant suggested that Bill might find it helpful to view the situation through the eyes of the divisional managers. As he did this, Bill began to speculate about whether they truly understood his role and what he was trying to achieve. He also recognized the possibility that they

feared that the detailed reporting he was requesting could threaten their autonomy, unfavourable comparisons might be made between the divisions, and the information – in its raw form – might be misinterpreted by others at corporate HQ, who might access it when making decisions about resources, promotions and bonuses. He also recognized that he had not involved the divisional managers in specifying the information requirements, nor had he given them the opportunity to discuss the information that would be of help to them in their own businesses. There was also a possible problem relating to the cost of collecting this information. Who was to pay for it? This analysis helped Bill develop a better understanding of the situation and provided a good basis for planning action to achieve his goal.

Bill decided that his first initiative would not be to appeal to the CEO to increase pressure on the divisional managers to comply with his requests. He didn't rule this out, but decided that actions directed towards reducing the restraining forces might be more productive, especially bearing in mind that achieving this particular goal was only one part of his overall plan for change. The consultant continued to work with Bill to help him prioritize the forces he wanted to work on and to identify specific actions he could take to achieve his aim. In this case, it transpired that all Bill's priorities for action involved reducing the power of selected restraining forces. It is not essential that plans should only be based on reducing the power of restraining forces, but plans that only involve actions to increase the power of driving forces might deserve another look.

Blake and Mouton (1986) argue that theories can help clients free themselves from blind reliance on intuition, hunch, common sense and conventional wisdom and enable them to see situations more objectively. Theories can be applied to all classes of problems in a wide range of situations, so long as the theory is valid and clients are willing and able to internalize it and make it a personally useful source of guidance. Theory-based interventions might be less effective than other approaches if the change agent introduces clients to a theory they perceive to be invalid, irrelevant or too complicated, or if the client is unreceptive to the possibility of using theory as a basis for managing problems. Even valid, user-friendly theories may be rejected, for example when clients are emotionally charged. In such circumstances, a supportive mode of intervening might be used before adopting a theory-based approach to helping.

Challenging approach

The challenging mode of intervening has great potential for facilitating change. It involves the change agent confronting the foundations of the client's thinking in an attempt to identify beliefs, values and assumptions that may be distorting the way situations are viewed.

An assumption underlying this challenging mode of intervening is that effective action can be undermined by clients' inability or unwillingness to face up to reality. They may not be aware of some aspects of their behaviour or its consequences, or they rationalize or justify their behaviour and in so doing create or perpetuate an unsatisfactory situation. Challenging interventions are designed to call attention to contradictions in action and attitude, or challenge precedents or practices that seem inappropriate. The aim of this approach is not only to challenge values and assumptions but also to identify alternatives that might facilitate the exploitation of opportunities, or lead to the development of more effective solutions to problems, as we will see in Example 15.3.

Great care needs to be exercised when change agents adopt a challenging style. Egan (2004) argues that confrontation can be strong medicine and, in the hands of the inept, can be destructive. Effective challenges are those that are received by clients as helpful invitations to explore aspects of a problem from a new perspective. Change agents adopting this approach ask questions or provide feedback that draws the client's attention to inappropriate attitudes, values, discrepancies and distortions, but they avoid telling the client how they should think or act. Challenges that clients perceive as personal attacks or a public unmasking of possible inadequacies are likely to be met with some form of strong defensive reaction and will rarely be effective. Even when a challenging style of intervention promises to be effective, this promise may not be realized if change agents are inept at challenging and confronting.

EXAMPLE 15.3 Using a challenging approach in a French primary school

The directeur d'école, a former teacher and now full-time manager, of a successful primary school in northern France had worked hard to improve the school's external reputation and had invested a great deal of effort in building a good team spirit among his staff. When one of them applied for a job elsewhere, the directeur interpreted this as a sign of disloyalty. He communicated his reaction to the individual concerned and made his disapproval public by excluding him from management team meetings.

A senior colleague and long-term friend of the directeur intervened. He reminded the directeur about his own early career progress and pointed out how this was no different from the progress the teacher who had applied for the job elsewhere was seeking. He pointed out that the directeur had rarely stayed in one job for more than three years, whereas this individual had already been in post and had performed satisfactorily for almost four years. He asked the directeur how he thought others would interpret his action and what effect it was likely to have on the team spirit he prized so highly.

Eventually, the directeur accepted that the teacher's application was a timely and appropriate step to take, and that he had not only overlooked the career development needs of this individual but had given insufficient attention to the career development of all his staff. He also accepted that his response had been inconsistent with the management culture he was trying to create.



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Information-gathering approach

The information-gathering approach to helping involves change agents assisting clients to collect data they can use to evaluate and reinterpret a problem situation. The assumption underlying this approach is that information deficiencies are an important cause of malfunctioning. Helpers' objectives are to guide clients so that they arrive at a better level of awareness of the underlying causes of a problem and to help them identify what action is required to resolve it. Many change agents adopting this approach assume that any information they might present will be less acceptable and less likely to be understood than information that individuals or groups generate for themselves. Another assumption often made by change agents adopting this approach is that clients will be less resistant to proposals and action plans they generate for themselves.

Pascale and Sterin (2005) point to 'positive deviance' as an example of an intervention that relies on helping others to gather and use information for themselves. It involves helping clients to identify and investigate examples of innovation and superior performance in order to share their findings and use them as a basis for exploring ways of spreading this best practice. For example, one department in a hospital was identified as being a positive deviant because it had a very low incidence of the MRSA superbug. Staff from other parts of the hospital visited the department and interviewed staff and patients to identify possible causes and actions they could take to control the problem in their departments. Pascale and Sterin (2005) argue that because the process of information gathering is undertaken by members of the client system, ownership is high, and because the innovators who are responsible for superior performance are members of the same system ('just like us'), disbelief and resistance are easier to overcome.

Some of the interventions discussed in Chapters 12, 13 and 28, such as action research, organization mirrors, appreciative inquiry, after action reviews and priority reviews, are based on this approach. Example 15.4 illustrates how this approach can be used to help an individual develop a better understanding of a problem.

EXAMPLE 15.4 Using an information-gathering approach in a US communications infrastructure company

The vice president of engineering of a rapidly growing US communications infrastructure company was frustrated by the slow take-up of a new design process that had been successfully developed and implemented by a group of engineers working at the company's facility in Boston. He approached a consultant, expecting her to help him impose the new way of working. Instead, she suggested that he arrange a meeting with some of the engineers who appeared to be reluctant to adopt the design process and invite them to talk about their work, and how the new process would affect this.

The consultant decided on this approach because, while working on other projects in the company, she had observed that the vice president of engineering tended to rush the implementation of changes without paying sufficient attention to the impact they had on end users. Also, in this case, she had reason to believe that some of the engineers working at the other sites felt that the proposed new design process did not offer any advantages over their current practice. She decided that rather than intervening to 'fix' the problem for the vice president of engineering, it would be more effective if she helped him discover the problem for himself, and then worked with him to help him resolve the problem.

Sometimes, change agents might be more directly involved in the collection of data, but when this happens, they are often working on behalf of their clients and they feed the information back to them so they can use it to develop a better understanding of their problem and explore ways of improving the situation.

DEVELOPING COLLABORATIVE RELATIONSHIPS

Collaborative modes of intervening are most effective when change managers have a genuine respect for the people they are working with. This requires that they:

- *Signal that the other's viewpoint is worth listening to:* This reflects their willingness to commit to working with others. It also suggests a level of openness to their point of view. Too often, even when change managers go through the motions of asking others for their views, they are not really committed to listening. If collaborative working is to be effective, change managers need to respect others' views and clearly signal this respect.
- *Suspend critical judgement:* If change managers really are committed to working collaboratively with others, they need to keep an open mind and avoid reaching premature conclusions. Egan (2004) and Reddy (1987) assert that this does not mean they should signal approval of everything they hear or observe; rather it involves communicating that their point of view has been heard and understood. The act of suspending judgement, and trying to understand the other's viewpoint, can encourage the client to explore their position. It avoids pushing them into defensive positions and gives them the freedom to change their view.

✓ EXERCISE 15.2 Monitoring your respect for others

Next time you are involved in a helping relationship, observe yourself. Open up a second channel and monitor what you are *thinking* when you are relating with a client (remember that by 'client', we are referring to anyone on the receiving end of the change). What does this tell you about your respect for others and their points of view?

- Are you able to suspend critical judgement?
- Do you believe that the client's point of view is worth listening to?

According to Reddy (1987), suspending judgement and keeping an open mind do not come naturally. He argues that we have been conditioned to persuade others to our point of view. At school, there is nearly always a debating society but rarely a listening club. It may be that we often fail to keep an open mind because if we listen, we may end up agreeing, and if we agree, we may appear to have lost.

However, the aim of a collaborative helping relationship is not to win. Signalling to others that their views are worth listening to and suspending judgement can encourage them to believe that the change agent is prepared to help them to achieve the best outcome, whatever that might be.

Prescriptive versus collaborative modes of intervening

It has been argued that the most effective way of helping others is to help them to help themselves, and that this will normally involve adopting a collaborative mode of intervening. There may, however, be occasions when a more prescriptive style might be appropriate. Clients may be faced with a critical problem that, if not resolved quickly, could have disastrous consequences. If the change agent has the expertise to help them avoid this disastrous outcome, it might be appropriate to adopt a prescriptive mode to provide the required help quickly. While this kind of intervention is only likely to provide a 'short-term fix', it might be effective if it can buy time to help clients to develop the competences they require to manage similar situations they might encounter in the future.

MODE OF INTERVENING AND THE STAGE OF THE HELPING RELATIONSHIP

The most effective mode of intervening can vary over the course of a helping relationship. The supportive mode that involves the use of 'empathetic listening' to help clients develop a new level of understanding might be especially effective at the beginning of the helping process. As well as helping clients clarify their thinking about an opportunity or problem, it can contribute to the development of trust and a supportive relationship between change agent and client. However, as the helping relationship develops, it might be necessary for change agents to modify their initial approach and begin to adopt a more challenging, information-gathering or theorizing style of facilitation. They may need to confront clients about discrepancies between what they say and what they do, provide them with feedback, or help them gather new information for themselves that will help them view their problem from a different perspective. It might also be beneficial to introduce clients to theories and conceptual frameworks that will facilitate their diagnosis and action planning.

In other words, any one approach, used in isolation, might not always lead to an adequate level of understanding about a problem or to the development and implementation of plans to move towards a preferred future. It might be necessary to draw on a number of different modes of intervening as clients' needs change. Egan (2004) argues that helpers should be competent in all the approaches to helping discussed in this chapter because they are all interdependent. For example, helpers who specialize in challenging may be poor confronters if their challenges are not based on an empathic understanding of the client, or if they confront clients too early in the helping relationship.

HELPING SKILLS

The focus of attention in this chapter has been on intervention styles and how they can be applied to facilitate change over the course of the helping relationship. Passing reference has also been made to some of the specific helping skills that change agents need to use to intervene effectively. These 'helping skills' are not a special set of skills reserved exclusively for the helping relationship (Hopson, 1984). Helping involves the appropriate use of a wide range of 'everyday and commonly used' interpersonal skills.

Some of these interpersonal skills are:

- self-awareness
- establishing rapport and building relationships
- empathy
- listening to facts and feelings

- probing for information
- identifying themes and seeing the bigger picture
- giving feedback
- challenging assumptions.

These and many other relevant interpersonal behaviours are considered in detail in *Interpersonal Skills at Work* (Hayes, 2002).

Exercise 15.3 is designed to help you reflect on the discussion so far and your experience of being a client.

✓ EXERCISE 15.3 Identifying effective helping behaviours

The aim of this exercise is to use your own experience to identify effective helping behaviours. Think of a number of occasions when others have tried to help you.

1. Identify people whose behaviour towards you was very *helpful*:

- What did they do that you found helpful?
- How did you respond to this behaviour? (Why was it helpful?)

Record your observations below.

List of helpful behaviours	Explain why the behaviours are helpful

2. Identify people who, while trying to help, behaved towards you in ways you found *unhelpful*:

- What did they do that you found unhelpful?
- How did you respond to this behaviour? (Why was it unhelpful?)

List of unhelpful behaviours	Explain why the behaviours are unhelpful

Reflect on your findings and consider how they relate to the modes of intervention referred to in this chapter. Does your experience highlight any skills not discussed but which appear to have an important bearing on the outcome of the helping relationship?

SUMMARY

The goal of intervening is not about planning or action but about achieving results – system-enhancing outcomes such as innovations realized, problems managed more effectively and opportunities developed, or new organization-enhancing behaviours put in place.

This chapter considers five modes of intervening to facilitate change; advising, supporting, theorizing, challenging and information gathering.

While acknowledging that advising may be an appropriate mode of intervention in some circumstances, this chapter highlights the benefits of those approaches that help clients to help themselves.

Helpers are most effective when they demonstrate a genuine respect for the people they are working with. They can do this by signalling that the other person's viewpoint is worth listening to and suspending critical judgement.



THE ROLE OF LEADERSHIP

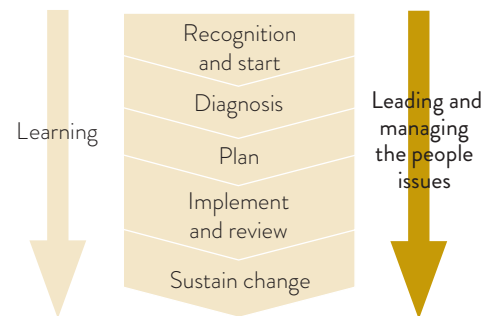
LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Explain why, in times of change, management is increasingly a leadership role.
2. List seven key leadership tasks and explain why they are important.
3. Evaluate whether a vision is fit for purpose and has been communicated effectively.
4. Assess the importance of leadership style.
5. Promote collective leadership in pluralistic settings.
6. Recognize destructive leadership and explain how it might be addressed.

Leadership is widely regarded as the key enabler of the change process but there is considerable debate about what constitutes good leadership. Drawing on Northouse (2004), leadership is defined here as a process that involves influencing others to achieve desired goals.

This chapter reviews the role of leadership, explores the proposition that, in times of change, managerial work is increasingly a leadership task, examines what leaders have to do to deliver successful change, considers the view that leadership needs to be seen as a collective process, and explores the proposition that destructive leadership can undermine the change process.



MANAGEMENT AND LEADERSHIP

Tichy and Devanna (1986) and Kotter (1990) highlight a tension between management and leadership. They argue that management is concerned with maintaining the existing organization, whereas leadership is concerned with change. In other words, management is about ‘doing things right’ and leadership is about ‘doing the right things’ (Bennis and Nanus, 1985, p. 21). [Table 16.1](#) draws on the work of Kotter to summarize the main differences between management and leadership. They both involve deciding what needs to be done, developing the capacity to do it, and ensuring that it is done. However, while management is concerned with order and consistency, leadership is concerned with new directions and change.

Table 16.1 *The focus of management and leadership*

Management	Leadership
1 Deciding what needs to be done	
<i>Planning and budgeting:</i> Planning and goal setting, formulating steps for achieving goals, and identifying the resources that will be required	<i>Developing a vision</i> that sets the direction for change and developing strategies that will deliver the changes required to achieve the vision

2 Developing the capacity to achieve it

Organizing and staffing: Creating organizational structures and work roles that will facilitate the achievement of goals, appointing qualified people, communicating plans and delegating appropriate levels of responsibility

Communicating the new direction in a way that enables people to understand what needs to happen if the vision is to be achieved and creating the conditions necessary to align their efforts to deliver the vision

3 Ensuring that it is done

Controlling and problem solving: Monitoring performance, identifying deviations from plans and taking corrective action

Motivating and inspiring people to achieve the vision

Source: Inspired by ideas in J. Kotter, *On What Leaders Really Do*. Copyright 1999 by Harvard Business School Press.

Managerial work, in times of change, is increasingly a leadership task

While management and leadership are distinct activities, they are complementary and both are necessary for success in a changing business environment. Bolden (2004) argues that it can be confusing to think about managers and leaders as though they are different people and, to a large extent, incompatible. For example, some talk about leaders as dynamic, charismatic individuals with the ability to inspire others, and managers as uninspiring bureaucrats who just focus on the task in hand. Bolden (2004) asserts that such a view does not coincide well with the lived experience of being a manager. People are generally recruited into ‘management’, rather than ‘leadership’, positions and are expected to complete a multitude of tasks, ranging from day-to-day planning and implementation to longer term strategic thinking. None of these are done in isolation.

Kotter (1999) argues that managers are the people who are in the best position to provide the leadership required to ensure that a change will be successful. However, if they are to provide this leadership, they need to recognize that their role involves a dual responsibility: for management – keeping the system operating effectively – and for leadership – revitalizing and renewing the system to ensure that it will remain effective over the longer term. The thrust of the argument developed in Chapter 3 is that not only is the pace of change increasing, but that there is also a shift in emphasis towards managing discontinuous or transformational change. One implication of this shift is that leadership, and the provision of a sense of direction, has become a more important part of managerial work.

Kotter (1990, p. 104) illustrates the point that managerial work, in times of change, is increasingly a leadership task with a simple military analogy: ‘A peacetime army can usually survive with good administration and management up and down the hierarchy, coupled with good leadership concentrated at the top. A wartime army, however, needs competent leadership at all levels.’ In a wartime army, platoon leaders and company commanders still have to manage, but successful outcomes in combat situations are highly dependent on the quality of the leadership they provide.

While Kotter recognizes that both leadership and management have a role to play, Hughes (2016) argues that he overstates the importance of leadership. By et al. (2016) echo this view and argue that a popular assumption is that effective change leadership is sufficient to produce successful change independent of change management. While this chapter focuses on the role of leadership, the role of managing must not be ignored. It is especially important in planning the change and reviewing progress.

Kotter’s military analogy draws attention to the leadership that has to be provided at every level. Leadership cannot just be concentrated at the top of the organization. How the NHS responded to the COVID-19 pandemic provides many cases that illustrate this point. Example 16.1 demonstrates how managers, at all levels, had to go far beyond ensuring that the NHS was being managed effectively. They were on the front line providing leadership in their part of the organization.

EXAMPLE 16.1 Expanding the capacity of the NHS to treat those affected by COVID-19

After observing how hospitals had been overwhelmed in some of the first countries to be affected by the coronavirus pandemic, in the UK it was decided that the NHS should rapidly scale up its capacity to treat those who became infected. After consulting government officials and relevant experts, the top team worked quickly to make sense of the situation and formulate a set of immediate goals. Ensuring the availability of sufficient hospital beds and intensive care facilities emerged as the top priority.

This was a massive logistical challenge and those leading the change recognized that they did not have the time or expertise to manage everything. They had to rely on others to lead many strands of this transformational project. In order to facilitate this, they acted quickly to empower others to take initiatives and do whatever was necessary. For example, normal performance standards and budgetary requirements were relaxed or temporarily abandoned. The top team also worked with government to ensure that additional funds were available and, following the introduction of emergency procurement measures, permitted senior managers to award contracts without the normal requirement for competitive tendering.

One strand of the change involved freeing up beds in existing hospitals and purchasing additional capacity from private hospitals. In order to free up current beds, all new admissions for non-urgent operations and treatments were cancelled and, as far as possible, hospitals were emptied of all patients who could be safely sent home. This exercise released 30,000 beds, but more had to be done before they could be made available for COVID-19 patients. Managers down the line had to envision what this required in their part of the organization. For example, they had to reconfigure their hospitals so that COVID-19 patients could be isolated from non-COVID-19 patients, and they had to provide a huge increase in the number of beds with intensive care facilities. Many related problems also had to be managed. There was a shortage of vital equipment, such as ventilators and personal protective equipment, training was required for many staff unfamiliar with intensive care, and some non-COVID-19 patients had to be transferred to different locations, sometimes private hospitals, a move that could involve the transfer of staff and specialist equipment. Managers down the line also had to manage staffing problems. At a time when the NHS required more staff, many (sometimes up to 20 per cent) were absent. This was because they had symptoms, or close contact with others who had symptoms, and therefore had to self-isolate. There were also staff who could not return home after a shift because a member of their family was designated vulnerable to COVID-19, so they had to be accommodated elsewhere if they were to continue working.

A second strand involved building new field hospitals, referred to as 'Nightingale hospitals', to provide additional beds. The first of the 14 new Nightingale hospitals was located on the site of the 2012 London Olympics and involved converting the ExCeL London centre into a 4,000 bed facility. Phase one, with a capacity of 500 beds, was completed in just nine days. To see how this happened, watch this video: www.theguardian.com/society/video/2020/apr/01/timelapse-shows-excel-centres-conversion-into-coronavirus-hospital-video. It was a remarkable achievement made possible by inputs from a military logistics team and contractors drawn from outside the NHS. In order to access needed resources, managers had to work across departments, NHS institutions and external organizations. For example, the consultants, doctors, nursing staff, pharmacists and therapists required to staff the Nightingale hospitals were drawn from existing hospitals, supplemented by an urgent appeal for retired staff to return. Two airlines agreed to allow their furloughed cabin staff to provide non-clinical support and the St John Ambulance Brigade agreed to provide volunteers.

The impressive rapid surge in hospital beds and intensive care facilities would not have been possible if managers down the line had not provided the required leadership.

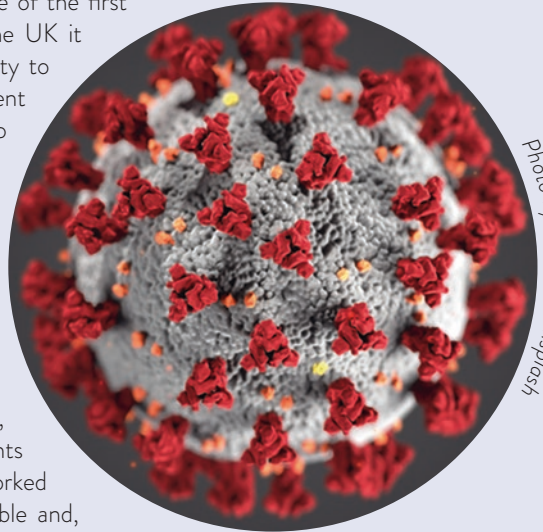


Photo by CDC on Unsplash

Reflect on your own observations or experience. Can you identify examples where managers down the line provided the leadership required to secure a change?

WHAT MANAGERS (AND OTHERS) DO WHEN LEADING CHANGE

Kotter (1990) describes leadership in terms of creating a vision, communicating and aligning people to achieve the vision, and motivating and inspiring them by appealing to their needs, values and emotions. There is growing evidence that ‘what leaders do’ can have a powerful effect on follower behaviour and the success of change initiatives; see, for example, Higgs and Rowland (2000, 2011), Ancona et al. (2007), Yates (2009), Gilley et al. (2009) and Oreg et al. (2011).

Drawing on these ideas, it is possible to identify seven tasks that leaders need to perform in order to ensure change success (Table 16.2). These seven tasks are discussed in detail below.

Table 16.2 Key leadership tasks

Sense making	Make sense of the world and identify the opportunities and threats that require attention
Visioning	Identify a vision of what a more desirable state of affairs might look like and what needs to be done to move towards this better future
Sense giving	Communicate the vision to a wider audience and respond to feedback as required to win commitment to the change
Aligning	Promote a shared sense of direction so that people can work together to achieve the vision
Enabling	Remove obstacles and create the conditions that empower others to implement the change
Supporting	Recognize and respond to the concerns of those affected by the change
Maintaining momentum and sustaining the change	Show commitment and ‘walk the talk’ – demonstrating that they are prepared to change their behaviour as well – to keep people focused on the change

Sense making

Leaders need to be able to make sense of the world around them and develop cognitive maps – mental representations of their environment that show what they perceive to be more or less important – to help them identify and diagnose those issues that require attention. This is not always easy because leaders (and others) have a conservative tendency to interpret what is going on in terms of what has gone on in the past. Colville et al. (2013, p. 1213), discussing sense making in the context of counterterrorism, suggest that ‘a sensible event often resembles one that has happened before’. They refer to the 9/11 Commission Report (2004), which found that members of the intelligence community were on the *alert* for signs of the past, but were unprepared for and *unaware* of signals of an emerging, changing present. Various accounts of what happened suggest that the US’s Central Intelligence Agency failed to attend to reports that potential terrorists were learning to fly because this story did not fit with pre-existing cognitive maps about how terrorists operate.

Näslund and Perner (2012) make a similar point following their exploration of ‘dominant stories’ in two Scandinavian companies. Organizational members tell stories about characters, situations and their perceptions of cause-and-effect relationships in order to help make sense of their everyday experience. Over time, dominant stories emerge and serve as collective frames that both enable and restrict sense making. Stories that fit with the dominant story are perceived as convincing, and those that do not are viewed as implausible or even unthinkable and therefore have little impact. Consequently, organizations find it easier to change in a direction that is congruent with the dominant story.

Ancona et al. (2007) suggest that leaders can improve their sense making by seeking data from multiple sources, checking whether different people have different perspectives, and using early observations to design small experiments to test ideas. It is important to note, however, that while sense making might be an essential first step, it is not a one-off activity. Situations change and leaders need to be continually alert to how new developments might impact the agenda for change.

Unprecedented surprises and the collapse of sense making

As noted above, sense making usually involves drawing on past experience to create order and make sense of the emerging situation. But when the situation emerges abruptly and is totally unfamiliar, this can be difficult. Weick (1993) observes that normally people act as if events cohere in time and space and change unfolds in an orderly manner. But there are circumstances where this is not the case. When confronted with unprecedented surprises and big-bang disruptions, people can suddenly feel that the world around them is no longer a rational and orderly place. Weick (1993, p. 633) describes this as the opposite of *déjà vu*: 'I've never been here before. I have no idea where I am, and I have no idea who can help me.'

Circumstances like this can trigger the collapse of sense making. Weick (1993) illustrates how this can happen with the example of 13 smokejumpers (specially trained wildland firefighters) who were parachuted in to fight a forest fire at Mann Gulch in Montana. When Dodge, the leader, saw that the fire had crossed the gulch just 200 yards ahead and was rapidly moving towards them, he yelled at the crew to drop their tools and move uphill towards a ridge. As they were scrambling through tall grass, pursued by 30-foot flames, Dodge realized that they were unlikely to escape. He responded by lighting a fire in front of them and, as it burned away, ordered everybody to lie down in the burnt area. No one did, they all ran for the ridge and only two of them survived.

Dodge survived by lying down in the ashes of his escape fire. The others thought he was crazy. They ignored his order to join him because it didn't make sense. They were all experienced forest firefighters who regularly made use of backfires to create fire breaks. Based on this experience, they 'knew' that Dodge's fire would not provide a means of escape because the (timber) fires they were familiar with would be too slow to burn and would consume too much oxygen. But Dodge had set his fire in grass and he worked out that it would burn quickly and deprive the pursuing inferno of flammable material. One of the reasons the rest of the crew failed to make sense of the situation was because it was totally unfamiliar.

Big-bang disruptions lead to unfamiliar situations in which sense making can be especially difficult. The smokejumpers, as they spread out to escape the fire, were not only confronted by unprecedented circumstances but also found it difficult to interact with Dodge and to draw on each other's thinking to help them make sense of the situation. The Mann Gulch tragedy points to an unsuspected source of vulnerability in organizations, unprecedented surprises that can trigger the collapse of sense making. But the collapse of sense making is not inevitable. Carmeli et al.'s (2013) study of top management teams indicates that where team members are well connected, open to others' ideas and willing to explore unfamiliar circumstances for ideas and opportunities, they are more able to make sense of unusual situations and cope with crises.

Visioning

While sense making and visioning are separate activities, they are closely linked and it is essential that those exercising leadership formulate a vision based on a realistic assessment of the situation and the needs and priorities of key stakeholders. Colville et al. (2012) view sense making as the act of cueing a story in the form of a frame (cognitive map) that provides leaders with a recipe that serves both as a scheme of interpretation (this is the meaning of the situation) and a scheme for action (this is what we should do next). Based on their interpretation of the current situation and emerging threats and opportunities, leaders can begin to identify their vision of what a more desirable state of affairs might look like and what needs to be done to move towards this better future. There is wide acceptance that a strong vision, informed by an in-depth understanding of the context, can make a valuable contribution to the success of a change initiative.

According to Kotter (1996), a good vision needs to be:

- *imaginable*: conveys a picture of what the future will look like
- *desirable*: appeals to the long-term interests of employees, customers, shareholders and stakeholders
- *feasible*: comprises realistic, attainable goals

- *focused*: clear enough to provide guidance in decision making
- *flexible*: general enough to allow individual initiatives and alternative responses in light of changing conditions
- *communicable*: easy to communicate; can be successfully explained within five minutes.

Clear and inspiring visions are important for those leading changes in established organizations, but they are also important for business founders who are seeking the support from those who could affect the success of the new venture. These could include those who might be persuaded to provide financial support, suppliers, customers and potential employees.

There is no set formula for how leaders should formulate a vision. Some leaders work on their own to develop a vision before presenting it to others as a clear and formulated picture of a preferred future (as did the CEO in Example 1.5, the Direct Banking case, when he announced his intention to introduce voice automation and routing in order to drive down costs). Others begin to share their ideas almost as soon as they become aware of a need or opportunity for change, and encourage others to contribute to visioning what a better future might look like. The extent to which others are allowed to participate can vary but there is considerable evidence that participation does contribute to change success. Oreg et al. (2011) identified 14 studies that assessed the effect of participation and found that it was associated with a sense of agency and control over the change, lower levels of stress, higher readiness to accept change, and overall support for the process.

Irrespective of the extent to which the recipients of change and other stakeholders are allowed to contribute to formulating the vision, there is considerable agreement (Kotter, 1990; Yates, 2009) that a vision is more likely to be achieved when it is compatible with the values of all those who will be involved in and affected by its implementation.

As explained in Example 16.2, when Birna Einarsdóttir took over as CEO of Íslandsbanki after the Icelandic economy imploded, she worked hard to involve others in building a new vision for the bank that would enjoy widespread support.

EXAMPLE 16.2 Involving staff in developing a new vision for Íslandsbanki

As a society, Iceland was in a state of economic and social crisis after 2008. The impact of the banking collapse in Iceland cannot be underestimated. Íslandsbanki was founded on the ruins of its predecessor, Glitner, which was taken over by a winding down committee. Íslandsbanki's management team, under the leadership of Birna Einarsdóttir, its new CEO, faced a considerable challenge; to rebuild a collapsed bank and create an institution able to gain the trust of the society in which it operated. Her strategic vision was to create a common direction for all Íslandsbanki's employees and create an internal culture of organizational purpose that would contribute positively to the dual purpose of organizational and societal recovery.

Einarsdóttir described the situation in 2008 as one where the bank had '100,000 angry customers, 1,000 troubled employees and no balance sheet'. She decided that, despite the crisis situation and the uncertainty it created, it was important to generate a shared vision of the way forward. The critical component of this vision emerged as an organizational culture of common purpose that became a guiding principle for all the bank's staff members.

While there were riots and protests in the streets in central Reykjavik, all employees of Íslandsbanki were invited to participate in a full-day strategy workshop on a Saturday in early January 2009. At this workshop, a group of 650 employees, organized into eight different work streams, worked on the strategy of the new Íslandsbanki. The eight work streams were: 'Our values', 'Internal and external communications', 'Competition', 'Rebranding', 'Trust and transparency', 'Customers first', 'Improved work processes' and 'The best workplace'. The CEO described the situation as:

a unique opportunity to start from scratch, building a new vision, culture and values, learning from prior mistakes made, but at the same time building on the strengths and experience of the bank's 100 years of banking history.

This workshop and extensive project-based, follow-up work marked an important turning point for the bank. Since then, employees have been deeply engaged and involved in the annual review of the bank's strategy and an important outcome is a strong culture, which facilitates service and innovation, support and collaboration, and open and candid communications.

Source: Based on contributions from Mar Masson.

Example 16.2 is perhaps an unusual case, but it does demonstrate that visioning can be an inclusive process.

While Kotter (1995) argues that visions that ignore the legitimate needs and rights of some stakeholders and favour certain stakeholders over others may never be achieved, there are circumstances where leaders may be forced to give preference to the interests of some over others. These circumstances will be discussed in Chapters 17–19.

Conger (1990) suggests that sometimes visions can be flawed because leaders become so committed to a project or a belief that they only attend to information that supports their own position and fail to recognize signals that point to, for example, changes in customer requirements or the limited availability of necessary resources. A history of past successes can contribute to this condition. In Chapter 5, reference is made to the ‘trap of success’, where past experience promotes a sense of self-belief and arrogance, which can encourage leaders to plough ahead without giving sufficient consideration to key aspects of the situation, or the concerns raised by others.

Bruch et al. (2005) argue that leadership decisions about the ‘right thing to do’ (the vision) need to be made before deciding ‘how to do the change right’, otherwise ongoing debates about ‘does the change make sense?’ will rob the project of its energy and weaken the implementation process.

Sense giving

Communicating the vision is sometimes referred to as ‘sense giving’. Gioia and Chittipeddi (1991, p. 442) define sense giving as: ‘the process of attempting to influence the sense making and meaning construction of others towards a preferred construction of organizational reality’. Leaders disseminate a vision to stakeholders and constituents in order to communicate their interpretation of a new and better reality and to influence others to adopt this view of the world.

Shaping the vision: reciprocal cycle of sense making and sense giving

A leader often starts by communicating with senior colleagues before engaging with a wider audience. However, it is rarely a one-way process – even when leaders have not involved others in the initial formulation of the vision – because, once communicated, their vision will almost inevitably trigger what Gioia and Chittipeddi (1991) refer to as a ‘sequential and reciprocal cycle’ of sense making and sense giving. The recipients of the leader’s message engage in their own sense making, digesting and interpreting what they have heard in order to anticipate the implications of the leader’s new vision for themselves and their unit or organization. The leader’s vision may trigger an immediate enthusiastic and positive response but often the recipients, after trying to make sense of what they have heard, may feel a need to engage in their own sense-giving activity that involves giving feedback to leaders. This feedback may be in the form of a request for further clarification, a bid to modify and shape the leader’s original vision or even to challenge their proposition that there is a need for a new vision in the first place.

Example 16.3 illustrates what can happen when those leading a change give insufficient attention to sense giving.

EXAMPLE 16.3 Data loss prevention at a German hotel chain

The IT director of a German hotel chain requested an urgent meeting with her CEO to report an unexpected data breach. It had been detected almost immediately and the IT director reassured her CEO that, on this occasion, the likelihood of any serious damage was slight. But the CEO was not reassured. His concern was the potential for reputational damage.

The CEO convened a meeting of the senior management team and persuaded them that the best way forward was to maintain silence about the data breach, saying nothing to colleagues within the organization or to the outside world. He also won their support to employ the best available consultants to work with a small team from the IT function to develop new software tools together with more robust data security policies and procedures that could be rolled out across the business.

Work began immediately and it was not long before the project team thought the software tools were ready to be implemented. Because of the pressure to deliver a solution quickly, they tested the new software using a simulation rather than spending time piloting it with users.

It was not long after the new system went live that problems began to emerge. The first was that it generated such a volume of alerts that those responsible for responding were overwhelmed. And it was not only a shortage of resources to cope with the workload that was the problem, there was also a lack of clarity about what needed to be done to eliminate the root cause of the high volume of alerts. A second problem was the effect the new tools had on the performance of laptops and desktops; it slowed them down to the extent that it began to affect coordination across the business and the ability of employees to complete tasks on time.

While these problems were serious, they were nothing compared to the widespread resistance that the heavy-handed, rapid imposition of the new tools, policies and procedures provoked. Managers reported the frustration and anger of their staff up the line, and the CEO and senior management team quickly recognized that the changes were producing some unanticipated and unwelcome consequences.

The unrest was further exacerbated by rumours that the real reason for the imposition of the new software was to monitor performance and to police the use of emails and the internet. This worsening situation led to the CEO halting the change and abandoning the new software tools.

Those leading the change in the hotel chain had given insufficient attention to sense giving; communicating why the change was being implemented, convincing users that the specific proposals for change would lead to a more desirable state of affairs, and reassuring them that the proposed changes could be made to work. They also gave no thought to persuading recipients that the changes could provide some benefit for them as well as for the business.

The IT director and the project team had framed the problem as a technical issue that required a technical solution. They also believed that they were best placed to deliver a solution that would work. They gave little, if any, thought to the social/people aspects of the change; how it might affect users, possible user contributions to the definition of the problem, user knowledge and experience to help develop the solution and, importantly, to crafting a vision that would win widespread support. It is little wonder that when faced with this confusing situation, recipients focused on covert monitoring as the real reason for imposing the change.

Engaging others

The nature of the reciprocal sequence of sense giving and sense making can have an important impact on the quality of the vision. When leaders genuinely encourage feedback and challenge, there is a good chance that the vision that eventually emerges will be robust and fit for purpose. There are circumstances, however, where leaders receive little, if any, feedback on their proposed vision. This may happen if others fear repercussions if they challenge any aspect of the leader's vision, or if they have become too dependent on and trusting in the leader's judgement.

Vuori and Huy (2016) found that fear was a factor that affected the quality of the information communicated up the organization to managers in Nokia. They had expected that if middle managers judged the requests/demands made by top managers to be unreasonable, the middle managers would attempt to engage the top managers in a process of joint sense making to improve, for example, top managers' understanding of the operational realities that constrained their ability to deliver what was being required of them. But they found that this did not always happen. Middle managers sometimes responded by promising to deliver what senior managers were requesting, even though they had serious reservations, because they feared the consequences if they did not. Vuori and Huy (2016) cite the example of middle managers in Symbian Ltd, a software development company, to illustrate how this happened. Middle managers initially voiced their concerns about impossible deadlines, but when these were ignored, they felt pressured to give top managers the

answers they wanted rather than the truth. They reported that if they were too negative, it would be their head on the block, or if they said that something could not be done, then questions would be asked about whether they should be replaced.

Some writers argue that charismatic leaders who have dominant personalities can promote the kind of unquestioning dependence that leads to a lack of challenge from subordinates. A lack of challenge can also develop in those circumstances where the leadership team becomes so committed to a single ideology that they engage in what Janis (1972) described as ‘groupthink’.

Translating the vision into a desire for change

Just because change recipients understand the leader’s vision does not mean that they accept it and will be committed to achieving it. Sense giving is most effective when the outcome is not just that others recognize a need for change, but when the potential recipients go on to translate this recognition into a desire for change. There are a number of things that leaders can do that will affect whether or not this will happen.

Winning trust

Translating the recognition of a need for change into a desire for change is more likely to happen when the potential recipients of change trust their leaders and feel that leaders respect their views (Oreg et al., 2011). Leaders can help to develop this kind of respect by seeking feedback and encouraging others to voice their views, and signalling to them that they believe their views are worth listening to and that they (the leaders) will do their best to keep an open mind until they have understood what they have to say. But sometimes, leaders, although they may appear to listen, may be perceived as giving insufficient attention to or trivializing the views of others. This is illustrated by a case reported by Werkman (2010) in Example 16.4.

EXAMPLE 16.4 Reorganizing the emergency response function in a Dutch police organization

The chief commissioner and top management team of a Dutch police organization felt that the internal culture was characterized by fragmentation and a lack of cooperation, and that the introduction of a new regional emergency response (ER) function, which required police officers from different units and departments to work together, would help to strengthen organizational identity. The change required officers to work shifts in districts other than their own with colleagues from different units, some of whom were new to this work and drawn from specialized units such as the criminal investigation department. A project team was appointed to lead the change and worked hard to communicate the intended change to all those who would be affected.

Police officers understood what they were being asked to do but were opposed to the proposed change. They felt that it was being driven by financial considerations, and management had failed to appreciate the detrimental effect that the proposed changes would have on the existing fast and effective ER, which was tailored to the needs of local communities. They voiced their concerns to members of the project team and senior managers. They argued that colleagues from other districts would have insufficient local knowledge about the problems civilians were experiencing, and members of the local population would have less confidence and trust in officers they did not know. They also argued that



because officers from other districts and departments would be unfamiliar with the area, it would take them longer to arrive at an incident, and inexperienced specialists would need training before they could work effectively. The police officers who normally did ER work also feared that specialists who did not work shifts would not be motivated to provide a good 24/7 emergency response.

The police officers did all they could to engage with members of the project team and senior managers in an attempt to influence their sense making and persuade them to revise their vision in a way that recognized the importance of providing a high-quality emergency response for local communities, but senior managers were not convinced by their arguments and trivialized them. This was, in part, because they felt that rank-and-file officers had a history of resisting change and acting out of self-interest, and this was one of the factors that had helped to create the negative and fragmented organizational culture they were trying to change. Another problem was that members of the project team and senior managers feared that if they withdrew their plans and 'gave in' to the police officers, this might undermine the hierarchy of senior-subordinate relationships and lead to a loss of face and position.

The outcome was that having interpreted the situation from their own perspective and having decided that adjusting the intended change or their approach to the change process was not an option, senior managers and the project team proceeded to introduce the change as planned.

Highlighting benefits

Example 16.4 also demonstrates the importance of the perceived costs and benefits associated with the change. Rank-and-file police officers felt that the change threatened something they valued – the service offered to local communities – and promised few, if any, benefits. Oreg et al. (2011) report that a key determinant of whether change recipients will accept or resist change is the extent to which they perceive the change as beneficial or harmful. Leaders can be more effective if they communicate a compelling vision that is aligned with change recipients' values and promises to deliver personal benefit. While crafting the vision so that it appeals to change recipients can produce more support for a change, Conger (1990) sounds a note of caution and argues that leaders need to be careful not to present information in ways that make their vision appear more realistic and more appealing than it really is.

Promoting perceptions of competence

Oreg et al. (2011) and Neves (2011) refer to studies that identify change recipients' perceptions of their leader's competence, and therefore their ability to affect outcomes and achieve desired goals, as a factor that can affect their commitment to a proposed change. This points to the importance of leaders doing everything they can, not only to develop the competences and build the relationships with significant others that will help them deliver successful change, but also to ensure that they are seen to be competent and well connected by those involved in the change. This said, Conger (1990) sounds another note of caution and asserts that leaders should not communicate a vision in ways that foster an illusion of control when the reality is that things are out of control. In Chapter 5, the need to create a sense of confidence in order to promote a readiness to change is discussed, but this has to be done ethically. Sometimes, information is manipulated in a way that encourages employees and other stakeholders to make decisions that are neither in their own nor the organization's best interest.

Demonstrating that the status quo is unsustainable

Kotter (1995), writing about why transformation efforts fail, discusses the difficulties often encountered by leaders when trying to drive people out of their comfort zones and create a readiness for change. One approach he advocates to address this problem is to act in ways that create a sense of urgency. Stephen Elop did just that, when he was appointed the new CEO of Nokia. He used a 'burning platform' analogy to communicate the urgency of the situation facing the company, as outlined in Example 16.5.

EXAMPLE 16.5 Stephen Elop's burning platform memo

As reported in many media sources (see Arthur, 2011; Constantinescu, 2011; Gee, 2011; Ziegler, 2011), some days before announcing his plans to reverse setbacks at Nokia, Stephen Elop stated in a speech to staff, which was printed internally and then leaked:

There is a pertinent story about a man who was working on an oil platform in the North Sea. He woke up one night from a loud explosion, which suddenly set his entire oil platform on fire. In mere moments, he was surrounded by flames. Through the smoke and heat, he barely made his way out of the chaos to the platform's edge. When he looked down over the edge, all he could see were the dark, cold, foreboding Atlantic waters.

As the fire approached him, the man had mere seconds to react. He could stand on the platform, and inevitably be consumed by the burning flames. Or, he could plunge 30 meters into the freezing waters. The man was standing upon a 'burning platform,' and he needed to make a choice.

He decided to jump. It was unexpected. In ordinary circumstances, the man would never consider plunging into icy waters. But these were not ordinary times – his platform was on fire. The man survived the fall and the waters. After he was rescued, he noted that a 'burning platform' caused a radical change in his behaviour.

We too, are standing on a 'burning platform,' and we must decide how we are going to change our behaviour.

Over the past few months, I've shared with you what I've heard from our shareholders, operators, developers, suppliers and from you. Today, I'm going to share what I've learned and what I have come to believe.

I have learned that we are standing on a burning platform.

And, we have more than one explosion – we have multiple points of scorching heat that are fuelling a blazing fire around us.

He went on to outline the problems confronting Nokia, the 'multiple scorch points', together with his views about why the company had found itself in this difficult situation, before setting the scene for a major change initiative:

We are working on a path forward – a path to rebuild our market leadership. When we share the new strategy on February 11, it will be a huge effort to transform our company.

A few days later, he announced the new strategic partnership with Microsoft and the intention to develop the Windows Phone operating system as the new smartphone platform. Elop's burning platform analogy helped staff appreciate the urgency of the need for change but, unfortunately, it was too late to save the company.

Sensing the need or opportunity for change, formulating a vision of a better future, and communicating this vision to those who will be the recipients of change are essential early steps, but leaders also need to work hard to create the conditions that will empower people to deliver the desired change.

Aligning

An important aspect of sense giving is communicating in a way that promotes a shared sense of direction and aligns people so that they can work together to achieve the vision. Kotter (1996) argues that a central feature of modern organizations is interdependence, where no one has complete autonomy and most members of the organization are tied to many others by their work, technology, management systems and hierarchy. Kotter argues that these linkages present a special challenge when organizations attempt to change because unless individuals line up and move together, they will get in each other's way and fall over one another.

Kühl et al. (2005) argue that managers throughout the organization have to engage in 'lateral leadership' to create a shared understanding, influence the political process and develop trust. Some of the most effective leaders have the ability to identify those who might be able to support or sabotage an initiative, network with them and communicate in a credible way what needs to be done. Aligning people in this way empowers them, even people at lower levels of the organization. When there is a clear and shared sense of direction, committed stakeholders, including subordinates, are more likely to feel able to take action without encountering undue conflict with others or being reprimanded by superiors.

Sometimes, people are not aligned with others because they lack information about priorities or how they can act to help achieve the vision. Schmidtke et al. (2016) highlight the importance of developing effective dissemination systems to communicate information down the line.

Enabling

Communicating a clear and compelling vision and aligning people to support it can help inspire change recipients and those involved in implementing the change to overcome the inevitable barriers they will encounter as the initiative unfolds. But leaders need to do more. Ancona et al. (2007, p. 99) argue that: 'even the most compelling vision will lose its power if it floats, unconnected, above the everyday reality of organizational life'. They assert that to transform a vision of the future into a present-day reality, leaders need to create the conditions that will help facilitate implementation.

Kotter (1995) argues that even when those involved in the change understand and support the new direction, an 'elephant' may appear and block their path. Sometimes, the elephant is in their imagination and may require the leader to challenge their worldview or work with them to develop the confidence they require to proceed with the change. At other times, the elephant may be a very real, tangible barrier to change, which involves complex organization structures, narrow work roles, a lack of access to relevant information, misaligned performance measures, and incentives that reward people for maintaining their old ways of working. Leaders need to take action to remove these barriers in order to create the conditions that will empower people to deliver change.

Drawing on the work of Hackman (2002), Higgs and Rowland (2011), Oreg et al. (2011) and others, it is possible to identify a number of ways in which leaders can create the conditions that will enable people to contribute to change implementation.

Leaders can enable people to deliver change by:

- Ensuring that everybody is clear about what needs to be done.
- Creating clear structures and frameworks that enable people to work together to achieve a common purpose. This could involve revising organizational structures or making departmental boundaries more permeable to facilitate the sharing of information and other resources.
- Designing and delegating tasks that are aligned with people's values and provide sufficient challenge to make their work meaningful.
- Where possible, designing work for teams rather than individuals, thereby enhancing members' sense of collective responsibility for change outcomes.
- Providing access to information that some may believe should be restricted, so that individuals and groups are able to make decisions without always having to seek information and permission from others.
- Developing feedback mechanisms that individuals and groups can use for themselves to monitor their own progress and learn from their successes and failures.
- Encouraging those involved in the change to generate and discuss explanations for how well the change is progressing.
- Creating alignment at the top so that senior managers communicate consistent messages to others and adopt a common approach to implementing the change.

Supporting others during the change

Sometimes, it is easier for leaders to identify and communicate benefits for the organization than it is to communicate benefits for the individual, but those affected by a change have a pressing need to understand how the change will affect them personally. It is important, therefore, to recognize and respond to these concerns. Even when a leader is convinced that the individual will enjoy benefit from the change, some of those affected may not share this view and, even if they do, may still

experience a feeling of loss or lack of control over what will happen to them. This kind of reaction can motivate them to hold on to the status quo rather than let go and embrace the change. Providing opportunities for dialogue so that those affected can explore and understand what will be involved can help to address these concerns. A related issue is a fear that, following the change, those affected may not be able to deliver the required level of performance. Providing training opportunities in anticipation of the change, on-the-job support during implementation, and making it safe to admit mistakes and seek assistance can all help to boost confidence and help people to embrace the change.

Responding to big-bang disruptive changes, such as those linked to the COVID-19 pandemic, often requires employees to work long hours in stressful circumstances, to work from home, or be furloughed with little certainty about what the future might hold. In these circumstances, leaders need to be alert to how colleagues are being affected and be ready to provide the support that may be necessary to protect their physical and mental wellbeing.

While many leaders are motivated to support others, the discussion of destructive leadership at the end of this chapter illustrates a dark side of leadership, which can involve abuse, bullying and coercion.

Maintaining momentum and sustaining the change

There is often a tension between 'keeping the show on the road' (maintaining production) and introducing changes that will deliver improved performance over the longer term because implementing changes can be costly in terms of time and other resources. When employees are under pressure to maintain output, immediate demands can squeeze out the change agenda. Leaders need to be careful to act in ways that help to maintain the momentum of change and ensure that hard-won gains do not evaporate.

When people can observe their leaders' active involvement in and commitment to the change, there is every chance they will be motivated to persist with the change even when confronted by problems that might otherwise have undermined their commitment. However, a common problem is that having identified the need for change, created and communicated a vision and set the change in motion, leaders turn their attention elsewhere and those working to deliver the change perceive a lack of support from the top. Whelan-Berry and Somerville (2010), drawing on work by Schein (1999), Hesselbein (2002) and Cameron and Green (2004), argue that leaders need to 'walk the talk' throughout the implementation process if they are to be effective drivers of change. Kotter and Heskett (1992) make a similar point and argue that leaders need to demonstrate the behaviours they want others to model.

It is also important that leader support is not restricted to the senior managers who may have initiated the change. They need to involve other leaders down the line and hold them accountable for implementing the change in their departments and work groups. Managers and supervisors at all levels need to be committed and equally involved in 'walking the talk' to ensure that adequate attention and resources are focused on the task.

Sometimes, implementing a change can be a lengthy process and there is a danger that, over the course of time, people will lose their initial sense of urgency and divert their attention to more pressing, day-to-day operational issues. Kotter (1995) argues that one way of minimizing this risk is for those leading the change to seek out short-term wins and plan for visible (interim) performance improvements that can be celebrated along the way. However, while advocating the celebration of early wins, Kotter cautions against declaring victory too soon because this can kill momentum.

MANAGING CHANGE IN PRACTICE 16.1 Jo North: Start with the end in mind

Jo North is the managing director of The Big Bang Partnership Ltd, a commercial consultancy that works with businesses to help them innovate and grow. Previously, she was deputy managing director and customer service director of East Coast Mainline Company Ltd, commercial director of Northern Rail, and director of sales and marketing at FirstGroup, UK Bus.

In her video 'Start with the end in mind', on the book's companion website at bloomsbury.pub/hayes-change-management-6e, Jo highlights what she sees as four key issues that leaders need to attend to.

LEADERSHIP STYLE

Hackman (2002) argues that too much attention has been given to the importance of leadership style and asserts that leaders can be successful using those behaviours or styles that make the most sense to them personally, given the properties of the situation, the state of the team and their own idiosyncratic skills and preferences.

Early work on leadership styles suggested that some styles were superior to others. For example, Lewin et al. (1939) studied the effect of leadership styles in classroom situations and concluded that democratic leadership was more effective than an autocratic style. Later work by academics at Ohio State University identified two dimensions of leader behaviour that appeared to influence performance (Fleishman et al., 1955). They were ‘consideration’, the extent to which supervisors have relationships that are characterized by mutual trust, respect for subordinates’ ideas and consideration of their feelings, and ‘initiating structure’, which reflects the extent to which the leader is inclined to define and structure the work of subordinates. Fleishman et al.’s (1955) findings suggested that effective leaders were those who attributed high importance to both consideration and structure. This provided the conceptual basis for Blake and Mouton’s (1964) ‘managerial grid’, which pointed to ‘team management’ as the most effective leadership style.

Situational leadership challenged the notion that there is one leadership style that will be best for every manager in all circumstances. Fiedler (1967), Adair (1973) and Hersey and Blanchard (1977) are just some of those who proposed theories suggesting that the most effective style depends on situational factors, such as the people, the task and the organizational context.

Charismatic leadership

The development of new models of leadership was, at least in part, prompted by research evidence, which indicated that traditional, sometimes referred to as ‘transactional’, leadership models – that focus on goal setting, direction, support and reinforcement – only accounted for a relatively small percentage of variance in performance outcomes (Bryman, 1992). Accumulated research on the new models, on the other hand, has found that charismatic and transformational leadership are positively associated with a range of important organizational outcomes, such as job satisfaction, motivation, morale and performance, across many different types of organizational setting (see Avolio et al., 2009).

Charismatic leadership highlights the power of the emotional interaction between leaders and followers. Bass (1985) argues that charismatic leaders are effective because they have the ability to motivate followers to achieve goals they may not have considered achievable. Antonakis (2012) suggests that they do this by communicating a vision in a way that inspires others, setting challenging goals and articulating high performance expectations, challenging followers to rethink their ideas and look at old problems in new ways, promoting cooperation and teamwork to get people working towards the same goal, setting an example and leading by doing rather than telling, and providing individualized support. The discussion of change strategies in Chapter 23 points to the kinds of circumstances where a charismatic leadership style could be effective.

Adopting an appropriate leadership style can help facilitate change but there is considerable support for the view that there is no one best style. (See Anderson and Sun (2017) for an excellent review of leadership styles.) An argument developed in Chapter 15 is that there are many ways in which change leaders can work with others to facilitate change, and the most effective way might be different at different points in the change relationship. Also, in Chapter 10, it is argued that the change leader’s purpose (bottom line or building capability) and timescale can affect their approach to leading change, and [Figure 10.1](#) summarizes some of the factors that support either directive or collaborative change strategies.

Distributed leadership

It is important that charismatic leaders are not defined and glorified as heroic individuals who, by the power of their personality, are able to lead change single-handedly. In many organizations, there has been a move from deep hierarchies, in which leader–subordinate relationships are clearly defined, towards new organizational forms, where cross-functional teams, networks and communities of practice require an approach to leadership that is capable of being dissociated from organizational hierarchies. Even in traditional hierarchical organizations, leadership, at least to some extent, has to be cascaded down the hierarchy. Gilley et al. (2009) observe that while it may be top management that develops the organization's vision, mission and corporate-wide change initiatives, it usually falls to middle managers to develop the shorter term operational plans that give life to top management directives, and it is frontline managers who shoulder the main burden of implementing these plans. Example 16.1, presented earlier in this chapter, illustrates this point. Many organizational members contribute to the leadership process.

Often, the initiator of change might be an individual or a small group. These initiators might be viewed as the ones leading the change, but Kotter (1999) argues that this leadership has to be multiplied and shared if the change is to be successful. Throughout the system, all managers have to accept that they have a leadership role to play. They have to contribute to creating a vision, aligning relationships and inspiring others. Oxtoby et al. (2002) support this view and argue that not only does a system of leadership need to cascade down the organization in the form of a distributed network of key players, each providing leadership in their part of the organization, but also that, to be effective, this network needs to share a common vision of the organization's purpose that is clear, consistent and inspiring. Developing and maintaining this common approach is not always easy.

Spillane (2006) likens leadership to a partner dance, such as a two-step. While it is possible to focus attention on the actions of a single partner, to understand the performance of the dance it is necessary to pay attention to the interactions of both partners. Collinson (2005) notes that many studies of leadership have only concentrated on leaders' traits and styles and have either ignored or underestimated the importance of relations between leaders and followers. Bolden (2004) points to an increasing awareness of the importance of social relations, the need for leaders to be given authority by followers, and the realization that no one individual is the ideal leader in all circumstances. This line of thinking has led to the development of less formalized models of leadership, which accommodate the possibility that leadership is not the exclusive preserve of a single manager or even a cohort of senior managers. Bolden observes that individuals at all levels in an organization (not just managers) can exercise leadership influence over colleagues and thus influence the overall direction of the organization. This perspective shifts attention away from the individual 'heroic' leader to a more collective process of sense making and direction giving.

THE COLLECTIVE NATURE OF LEADERSHIP

In much of the literature on organizational change, the role of the CEO as leader receives considerable attention. Research evidence on the link between the CEO's leadership style and organizational performance is mixed. Avolio et al. (2009) refer to some studies that found that the charisma of the CEO was not related to subsequent organizational performance, whereas others found the opposite. This may be because, in many situations, leadership needs to be viewed as a collective process.

Pascale and Sterin (2005) point out that when individuals stand out as champions of change, there is a danger that this will generate unconstructive dependence from other members of the organization. They argue that leadership needs to come from within a community. Denis et al. (2001) also caution against the glorification of individual heroes. Organizations are becoming more complex and pluralistic. Their external boundaries are becoming increasingly blurred as they engage in a variety of collaborative arrangements and outsource many of their operations. Within

organizations, the growth of matrix and network structures and the move from functional to more process-oriented organizational forms are creating circumstances where traditional command-and-control cultures are being eroded and managers are increasingly having to collaborate with others, over whom they have no direct authority, in order to get things done. One of the key problems associated with managing change in pluralistic settings is the lack of a unified collective leadership. Developing sufficient cohesion is important but, once achieved, it can be difficult to maintain. Cohesion can be very fragile.

Coherence

Denis et al. (2001) argue that in situations where power is diffused and there are divergent objectives, change initiatives need to be led by a collective leadership group rather than a single individual.

On the basis of their research into healthcare organizations (see Research Report 16.1), Denis et al. (2001) argue that major change in pluralistic organizations is more likely to be achieved under unified collective leadership, in which members of a 'leadership constellation' (collective leadership group) play complementary roles and work together harmoniously. In many countries, there are conventions or legally binding codes of practice that explicitly formalize the collective nature of strategic leadership – by separating the posts of CEO and president or chair of the company's board of directors – but the membership of the leadership constellation is often wider than this, with members having different but complementary roles. For example, some may focus their attention on the management of external relations, whereas others may manage relationships with particular internal constituencies. Collective leadership is essential where a single individual is unable to formulate and implement a vision that is acceptable to a sufficient body of powerful stakeholders. Collective leadership offers the possibility of bringing together the range of skills and experience required to formulate an acceptable vision, as well as the ability to influence others in a manner perceived to be legitimate.

Fragility

While Denis et al. (2001) argue that unified collective leadership is necessary in pluralistic settings, they found that leadership constellations are always fragile. They define 'fragility' with reference to three types of 'coupling':

1. *Strategic coupling*: the internal harmony between members of the leadership constellation (Figure 16.1). Constellations can become disconnected when divergent views emerge about what is important and these differences lead to conflicts within the constellation.
2. *Organizational coupling*: reflects the relationship between members of the leadership constellation and their organizational constituencies, which in turn relates to the perceived conformity between the objectives of leaders, as reflected by their behaviour, and the interests of constituents (Figure 16.2). If members of the leadership constellation lose touch with their constituents, the constituents will begin to feel that their views are not being properly represented by their leaders. This can reduce leaders' ability to influence constituents and may even threaten their membership of the leadership constellation, because leaders rule, at least in part, by the consent of the led.

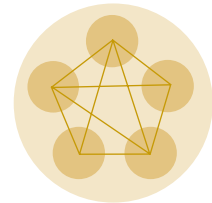


Figure 16.1 Strategic coupling

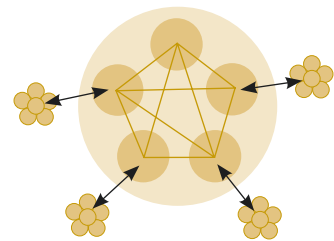


Figure 16.2 Organizational coupling

3. *Environmental coupling*: the degree of coherence between the leadership constellation's vision and aspirations and the demands and constraints imposed by powerful external stakeholders (Figure 16.3). Constellations can break down if they become so detached from their environments that performance begins to decline. This happens when concerns about performance lead to pressures from the company's board or other powerful external stakeholders for members of the constellation to be replaced.

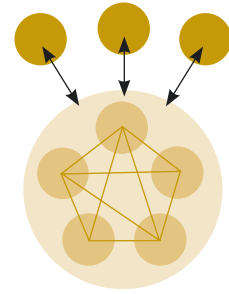


Figure 16.3 Environmental coupling

Denis et al. (2001) argue that it can be difficult to maintain harmony at all three levels (see Research Report 16.1, below). Sometimes, too much attention is directed towards developing a close alignment between the aspirations of internal stakeholders (organizational coupling), and insufficient attention is given to the impact of external demands (environmental coupling). Accommodating different interests is easier when there is a degree of organizational slack, but when resources are limited, there is less opportunity for accommodations and compromises. In these circumstances, the stability of leadership constellations and their ability to deliver change may depend on some of the personal and interpersonal skills of members.

Denis et al. (2001) refer to the importance of a tacit knowledge of how things can be done in the organization (social embeddedness) and creative opportunism – the ability to see opportunities to reconcile a range of aspirations with environmental pressures. Other factors might also be important. Hollenbeck and Hall (2004) highlight the effect of self-efficacy, that is, leader self-confidence, on leader performance, and while Ferris et al. (2000) agree that tacit knowledge and self-efficacy are important, they also point to the importance of a number of other social skills, such as social intelligence, emotional intelligence, ego resilience and self-monitoring.

RESEARCH REPORT 16.1 Collective leadership and strategic change in healthcare organizations

Denis, J.-L., Lamothe, L. and Langley, A. (2001) The dynamics of collective leadership and strategic change in pluralistic organizations, *Academy of Management Journal*, 44(4): 809–37.

The study was designed to examine leadership from a process perspective, focusing attention on what leaders do to mobilize others in a system of interrelationships. They set out to examine the dynamic construction, deconstruction and reconstruction of leadership roles over time.

Method

The study was partly planned and partly opportunistic, and partly deductive (inspired by theory) and partly inductive (inspired by data). A case study approach was adopted because this enabled the researchers to trace processes in their natural contexts and study the temporal sequence of events.

The research process

Five cases were studied over a 10-year period. The first involved a hospital that was negotiating with a medical school to acquire a teaching mission. The data drew the researchers' attention to the importance of collective leadership and the link between leaders' tactics and their capacity to remain in leadership positions. In this case, after an earlier change initiative had failed, a new leader emerged and mobilized the leadership team to pursue the teaching mission. But the united leadership team moved too fast for many others in the hospital and an election led to the team being dissolved and replaced, slowing down the once rapid change process.

The second case, which involved a small hospital developing a new emergency care service, was planned to replicate and test the conceptual model that was emerging from the first study. A new leader replaced the management team, built credibility with the board and achieved internal and external support for the new mission, but a group of physicians put in place to implement the development of the emergency service pushed to develop it more extensively than the CEO and the board felt was possible. Conflict led to the departure of the physicians and a halt to the project.

Building on their emerging model of collective leadership, the third case focused on how a new CEO positioned himself within an existing leadership constellation.

Over the course of these three case studies, four observations emerged as important:

1. Periods of substantive change tend to be associated with complementary and united leadership constellations.
2. Leadership constellations are fragile because of the possibility of disconnections between members (strategic coupling), between members of the leadership constellation and their organizational bases (organizational coupling), and between the leadership constellation and environmental demands and constraints (environmental coupling).
3. Because of this difficulty of maintaining alignment at all three levels, change occurs in a cyclical fashion as opposing forces are reconciled on a sequential, rather than a simultaneous, basis. For example, after a leadership constellation has developed a commitment to change, it may need to seek support from external stakeholders. This may not be easy (problems with environmental coupling) and might require the leadership constellation to make concessions. This may lead to problems within the leadership constellation (strategic coupling). The resolution of these differences may, in turn, require further compromise, creating problems for some members with their organizational constituents (organizational coupling). These problems may have to be resolved before the change can progress.
4. Leadership affects political positions. The way others perceive and judge a leader's actions, such as conceding or failing to deliver on promises, affects their credibility and survival in a leadership role.

Four years after the start of the project, moves to consolidate the teaching hospital network in Quebec presented a new opportunity to extend the research to more complex cases. Two further cases were studied, each involving the merger of three hospitals. Denis et al. found that increasing the number of pluralistic dimensions made it much more difficult to establish a unified leadership constellation, achieve anything more than partial coupling, break free from a cycle of shifting alliances, and manage the sequential attention to different goals.

Denis et al. concluded that greater complexity increases the need for counterbalancing sources of stability, such as slack resources, internal social embeddedness and creative opportunism, if substantive change is to be achieved.

DESTRUCTIVE LEADERSHIP

So far, the focus of this chapter has been on how leadership can make a positive contribution to the change management process. Leadership has been presented as a constructive force and an implicit assumption has been that leaders have positive intentions and behave ethically to secure beneficial change. There is, however, evidence that some leaders behave in ways that are detrimental to followers, other stakeholders and the organization (Thoroughgood et al., 2012), and Moutousi and May (2018) propose that unethical leadership, rather than promoting change, can trigger resistance to change.

Einarsen et al. (2007) define destructive leadership as systematic and repeated behaviour that violates the legitimate interest of the organization by undermining and/or sabotaging the organization's goals, tasks, resources and effectiveness and/or the motivation, wellbeing or job satisfaction of employees. Padilla et al. (2007) describe two features of destructive leadership that are widely recognized:

- dominance, coercion and manipulation rather than influence, persuasion and commitment
- a selfish orientation focused more on their needs than the needs of the larger social group.

Destructive leadership can take many forms:

- Examples of *dominance* and *coercion* include abuse, bullying, public humiliation, forcing others to perform unethical acts, withholding information, ignoring others and refusing to listen to their concerns.
- Examples of *manipulation* include leaders seeking to secure support for their personal agenda by overstating the advantages and downplaying or even misrepresenting the drawbacks of a change

(Moutousi and May, 2018), or by falsifying data to support new product innovations, engaging in kickback schemes, fudging time sheets, overlooking safety defects in new products, and remaining silent when they have knowledge about instances of discrimination or harassment (Tepper, 2010).

Brown and Treviño (2006) observe that over the past few years the reputations of leaders in many organizations have been tarnished by scandals, and Otto et al. (2018) report that while the prevalence rates for destructive leadership are hard to ascertain, there is sufficient evidence to establish that it is a widespread problem. Drawing on conservation of resources theory, they suggest that abusive supervision can be especially damaging for individuals because it lowers their resources, and therefore their ability, to deal with organizational change.

Change creates a conducive environment for destructive leadership

Leaders – including the most senior managers, middle managers down the line and supervisors – may be under very considerable pressure to secure a change, and this may propel some of them to take shortcuts, falsify data and coerce others to do their bidding.

Change offers a conducive environment for destructive leadership because it creates circumstances that allow leaders to behave badly and it makes it more difficult for any unethical behaviour to be detected. Change introduces instability, new challenges and uncertainties that can only be managed when leaders disrupt the status quo. For example, rescuing a deteriorating position or exploiting an emerging opportunity might involve leaders persuading others to ignore established policies and procedures and to do things differently. Burnes and By (2012) make the point that while those charged with managing in periods of stability can be sacked for breaking the rules, leaders who are expected to transform the organization might be sacked for not breaking the rules; and while the performance measures for holding managers to account may be relatively clear and short term, the criteria for holding those leading change to account are often far more fuzzy and long term. Burnes and By also note that while stakeholders can judge the trustworthiness of those who are managing in periods of relative stability by observing their adherence to specified and monitored objectives, judging the trustworthiness of those leading change can be more difficult and they may have to rely on blind faith, sometimes engendered by the leader's charismatic personality.

Although those leading change need sufficient discretion to be able to deliver the required change, this discretion can allow those with a destructive orientation to abuse their power (Kaiser and Hogan, 2007). Issues relating to responsible change management and ethical leadership will receive more attention in Chapters 18 and 19.

Exercise 16.1 draws on many of the points discussed in this chapter. It is a three-step process designed to help you improve your approach to leading change. The first step can be completed as a stand-alone exercise.

✓ EXERCISE 16.1 Improving your approach to leading change

This exercise is designed to help you improve your approach to leading change. It is divided into three parts. You will be able to complete the first part immediately, but the next two steps may take a little time:

1. The first step involves reflecting on how leaders known to you behave when trying to introduce a change. The leaders you think about may be managers at work, members of your family, people who are involved in other aspects of your social life, or those who exercise leadership in a club or religious organization (church, mosque or temple) you are affiliated to.

Use the following checklist as an aide-mémoire:

- *Sense making*: To what extent did they appear to recognize the need or opportunity for change in good time? Did they appear to take account of the views of others at this stage?

- *Visioning*: To what extent did they appear to formulate a vision of a better future based on an in-depth understanding of the situation?
- *Sense giving*: Did they communicate a vision to a wider audience in a way that won their commitment to achieving the vision?
- *Aligning*: To what extent did they communicate a shared sense of direction so that everybody involved in the change – other leaders and change recipients down the line – could work together to achieve the vision?
- *Enabling*: To what extent did they identify and remove obstacles that got in the way of change?
- *Supporting*: To what extent did they recognize and respond to the concerns of those affected by the change?
- *Maintaining momentum and sustaining the change*: Did they demonstrate a continuing commitment to the change and do whatever was necessary to keep others focused on implementing and sustaining the change?

Based on the above, identify what it was they did that helped to secure change and what they might have done better.

2. The second step involves monitoring your own behaviour and identifying what you do when trying to influence others to change. Do not change what you normally do. The aim of this step is to increase your awareness of your normal approach. Use the same approach to assess your own behaviour as you did to assess what others did when leading change. You might find it helpful to record your observations on a copy of the aide-mémoire you used for the first part of this exercise.
3. The final step involves experimenting with new behaviours. After reflecting on what you have observed others doing, how you normally behave when leading change, and the ideas and concepts introduced in this chapter, identify how you could change your behaviour in a way that will help you to be more effective when trying to introduce change.

You might not be able to complete this step immediately but do your best to seek out opportunities to experiment with new leadership behaviours as soon as possible.

In various chapters, further attention is given to some of the aspects of leadership discussed here. For example:

- recognizing the need for change: Chapters 2, 6 and 16
- identifying and reviewing change goals: Chapters 16, 17, 18, 19, 23 and 24
- communicating a sense of direction: Chapters 16, 17, 18, 19, 20, 23 and 24
- formulating a change strategy: Chapters 2, 10 and 23
- involving others: Chapters 2, 7, 10, 13, 17, 20, 25, 27 and 28
- motivating people: Chapters 5, 12, 16, 19, 20 and 21
- providing support: Chapters 15 and 22
- creating an organizational context conducive to change: Chapters 26 and 28
- behaving responsibly: Chapters 18 and 19.

SUMMARY

The first part of the chapter drew on theory to identify seven tasks that leaders need to perform in order to ensure change success. These are summarized in [Table 16.2](#). The second part of the chapter focused attention on distributed leadership and the final part of the chapter considered the nature and consequences of destructive leadership.

POWER, POLITICS AND STAKEHOLDER MANAGEMENT



LEARNING OBJECTIVES

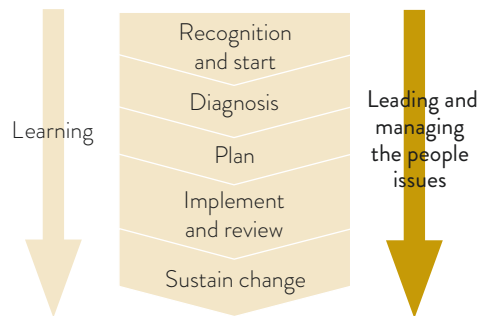
After reading this chapter you will be able to:

1. Explain why change can be conceptualized as a political process.
2. Recognize what determines the power inherent in any relationship.
3. Describe what change agents can do to increase their power to influence others.
4. Draw on prospect theory to explain whether change agents will attend to the interests of a wide or selected range of stakeholders.
5. Draw on life cycle models and resource dependence theory to identify how the power of stakeholders can fluctuate over time.
6. Use a stakeholder grid to map the power and influence of stakeholders and identify how they can be managed to support the change.

This chapter explores the politics of organizational change and points to the importance of enlisting the support of key stakeholders. Political behaviour tends to be more intense in times of change because individuals and groups perceive the possibility of upsetting the existing balance of power. Some may be motivated to defend the status quo, whereas others may perceive change as an opportunity to improve their position. Consequently, change managers need to be alert to these political dynamics, especially the possibility that others may be motivated to act in ways that undermine their efforts to bring about change.

In Chapter 16, some key leadership tasks were identified and the importance of promoting a shared sense of direction, removing obstacles and creating the conditions that empower others to implement a change were considered. In this chapter, attention is focused on what leaders can do to influence those who are in a position to slow or undermine the change. Attention is also given to:

- What leaders can do to increase their ability to influence others.
- Identifying which stakeholders should be taken into account by those leading the change.
- A conceptual framework, based on life cycle, resource dependence and prospect theory, that leaders can use to decide how best to manage stakeholders.
- The stakeholder grid, a useful tool for mapping the power of stakeholders and their predisposition to support or oppose the change.



ORGANIZATIONS AS POLITICAL ARENAS

Leaders need to understand and manage the politics of organizational change. Most organizations are not well-integrated entities within which everybody works harmoniously together. Companies and other institutions are becoming more complex and pluralistic and, as was noted in Chapter 16, the growth of matrix and network structures and the move from functional to more process-oriented organizational forms are creating an environment where traditional command-and-control cultures are being eroded and managers are increasingly having to collaborate with others, over whom they have no direct authority, in order to get things done.

Most organizations can be conceptualized as a collection of constituencies, each pursuing their own objectives. This view presents organizations as political arenas within which individuals and groups attempt to influence each other in the pursuit of self-interest. Those who adopt this political perspective argue that when there is a conflict of interest, it is the power and influence of the individuals and groups involved that determine the outcome of the decision process, not logic and rational argument. This perspective submits that those responsible for managing change cannot afford to ignore issues of power and influence.

Nadler (1987) argues that political behaviour tends to be more intense in times of change because individuals and groups perceive the possibility of upsetting the existing balance of power. Some may be motivated to defend the status quo, whereas others may perceive change as an opportunity to improve their position (see McNulty, 2003). These political dynamics can become even more complicated when several changes are being introduced at the same time. Organizational members, whether they be managers or non-managers, may be trying, at the same time, to initiate one change, support a second and resist a third (see By et al., 2016).

Change managers need to be alert to these political dynamics, especially the possibility that others may be motivated to act in ways that undermine their efforts to bring about change. These others may resist change not only because they feel threatened by the anticipated future state, but also because they feel threatened by the processes used to secure change. For example, some organizational members may be concerned that the collection of information for diagnosis could weaken their position because they may be asked to disclose information they had previously protected in order to secure some political advantage.

Given that different constituents or stakeholders are likely to act in ways that maximize their power and their ability to secure preferred outcomes, change managers need to be alert to the identity of important stakeholders and their predisposition to either support or resist the change. They also need to know how to influence stakeholders in order to persuade them to support the change.

Power and influence

McClelland (1975) defines power as the ability to change the behaviour of others. It is the ability to cause others to perform actions they might not otherwise perform. Those in authority are those who are seen to have a legitimate right to influence others, but power is not always legitimate. Sometimes, individuals and groups who do not have legitimate authority are able to exercise considerable influence and may even have more power than legitimately appointed managers. Change managers need to ensure that they do not overlook or ignore powerful individuals or groups just because they do not have any formal authority to influence a proposed change.

Power is inherent in any relationship in which one person or group is dependent on another. Emerson (1962, p. 32) observes that: 'the power to control or influence the other resides in control over the things he values, which may range all the way from oil resources to ego support. In short, power resides implicitly in the other's dependence.'

Review your answer to the questions posed in Exercise 17.1 and consider whether those who were able to influence your efforts to implement a change were able to do so because you (and others) were dependent on them in some way.

✓ EXERCISE 17.1 Sources of power and influence

Think about a change you have tried or would like to introduce (at work, home or elsewhere). Who are the people who were/are able to facilitate or block your efforts to implement this change? Why were/are they able to exercise this influence; what is the basis of their power?

ACQUIRING AND EXERCISING POWER AND INFLUENCE

Leaders and other organizational members can increase their ability to influence others by promoting their reputation for delivering successful change, taking steps to increase others' dependence on them, minimizing their dependence on those they are seeking to influence, building collaborative relationships, and negotiating advantageous agreements. Based on his work with product development engineers in a large automotive and aerospace company, Hayes (1984) observed that politically competent managers were those who paid attention to these factors.

Promoting their reputation

Change recipients are more likely to follow leaders when they perceive them to be competent and able to deliver benefit. This points to the importance of leaders doing everything they can to not only develop the competences they need to deliver successful change but also to ensure that they are seen to be competent by change recipients. People pay more attention to leaders when they perceive them to be motivated, competent and capable of affecting outcomes.

Increasing others' dependence on the leader

Leaders can increase their ability to influence targeted others by doing whatever they can to increase these others' dependence on them. They can assess others' dependence on them by:

- taking stock of what it is the targeted others seek from them, for example information, contacts or some other resource
- assessing how important these resources are to them
- exploring how readily the targeted others can obtain these resources from elsewhere.

This appraisal will provide some indication of how dependent the targeted others are on the leaders. But it is not sufficient for leaders to know that others are dependent on them. In order to exercise power, others have to be aware that they are dependent on those leading the change.

Increasing others' sense of dependence

Leaders can make others aware of their dependence in a number of ways. For example, they can threaten to withhold some vital resource. However, such heavy-handed measures may frighten the dependent others and provoke them into searching for alternative sources, which, if successful, could reduce their dependence on those leading the change. It may also provoke them into seeking out counter dependencies, which they could use against leaders as bargaining points. Heavy-handed approaches may promote the kind of win-lose climate which can easily deteriorate into one where everybody loses. Ideally, the objective of any awareness-raising exercise should be to raise an awareness of dependency but to do so within a climate that supports mutual help and cooperation.

If, through their interactions with others, leaders can convince them that they need the information or other resources that they (the leaders) can provide, this will increase their ability to influence target others. Whether or not leaders actually control or are the only available source of that resource is less relevant than the impression they manage to create. Leaders' ability to 'define reality' for others and convince them that they are dependent on them can be an effective way of enhancing

their power. However, another note of caution may be in order. While bluff and concealment can help bolster a leader's power, if discovered, this approach could seriously undermine trust and limit the leader's ability to influence others in the future (see Chapter 18 on the ethics of change management).

Minimizing leaders' dependence on those they are seeking to influence

It is not sufficient for leaders to promote an impression of their competence and take steps to increase others' dependence on them. They also need to do whatever they can to minimize their dependence on others. To do this, they need to identify who the 'significant others' are that they need to influence (this will receive more attention later in this chapter) and why and to what extent they are dependent on them.

Once they are aware of the basis of their dependency, leaders can begin to think about what they can do to minimize it. For example, they can:

- search for alternative sources of the resources they require
- challenge existing working agreements where they suspect that others are exercising power over them because of dependency relationships which may have prevailed in the past but which no longer reflect the current situation. As available resources, market conditions or any number of other factors change, so do the nature of dependency relationships and therefore the distribution of power.

Building collaborative relationships

Another possibility for improving the leader's ability to influence others involves building better working relationships with those they are dependent on in order to enlist their help to implement the change:

- Building closer relationships offers leaders the possibility of identifying information and other resources that others may require and that the leader could, but currently does not, provide, thereby establishing a basis for negotiation and trade.
- Often, projects are starved of resources, not because somebody has intentionally withheld them but because those controlling the resources are not aware that the leader requires them. Improved communication between those involved can help eliminate this kind of problem.
- Better relationships also offer the possibility of others using their networks to influence third parties who are inaccessible to the leader and/or championing the leader's cause to a much wider audience.

Negotiating advantageous agreements

Most working agreements are based on some degree of reciprocity or interdependence. Leaders who are good at influencing others are likely to be aware of this and be able to assess, realistically, what it is that others need (from them) and the extent to which they (the leaders) are able to satisfy this need. They will be able to set this alongside an equally realistic assessment of what they (the leaders) need from others and the extent to which others can satisfy this need, and use these assessments to negotiate working agreements up, down and across the organization that will support their efforts to implement change.

Interactions between those attempting to lead a change and others who can affect the outcome do not have to occur within the fixed framework of a zero-sum ('I win, you lose') game, and it is not always necessary for leaders to seek ways of eroding the power of others in order to progress a change. More political awareness and a willingness to involve others in the context of an increasing-sum (win-win) game can often lead to better outcomes and a more successful change.

IMPROVING YOUR ABILITY TO INFLUENCE OTHERS

Sometimes, those leading a change are unaware of their potential ability to influence others because they have never attempted to consciously assess how dependent they are on others and compare this with the extent to which others are dependent on them. Thinking about relationships in terms of relative dependencies can point to ways in which leaders can shift the balance of power in their favour. Exercise 17.2 is designed to help you do this.

✓ EXERCISE 17.2 Checklist for the acquisition and exercise of power

- Think about those situations in which you are *satisfied* with your ability to influence others. Using the checklist presented below, build a profile of what you typically do to *acquire and use power* in those situations.
- Next, think about those situations in which you are *dissatisfied* with your ability to influence. Repeat the procedure and build a profile of what you do when you are less successful.
- Compare the two profiles and look for differences in your behaviour. Differences between the two profiles might point to possibilities for changing your behaviour in ways that will improve your ability to influence others.

Did you take steps to:	Yes	No
1. Promote your reputation as somebody who can deliver change?		
2. Increase others' dependence on you by: <ul style="list-style-type: none"> • Taking stock of what resources others want from you? • Assessing how important these resources are to them? • Exploring whether they can obtain the resources you provide from other sources? • Raising others' awareness of their dependence on you? 		
3. Minimize your dependence on others by: <ul style="list-style-type: none"> • Taking stock of what you need from others? • Searching for (and establishing) alternative sources of supply? • Challenging historic assumptions about your dependence on others when situations have changed? 		
4. Build collaborative relationships with others and: <ul style="list-style-type: none"> • Identify new ways in which you could help target others? • Communicate your needs with those others you can trust in order to encourage them to provide the resources you require? • Enlist the help of others to influence third parties inaccessible to you? 		
5. Use all the above to negotiate advantageous agreements with others?		

STAKEHOLDERS

Leaders need to be able to identify those stakeholders who can influence the outcome of the change. Freeman (1984) defines a stakeholder as any individual or group who can affect or is affected by the achievement of the organization's objectives. In the context of evaluating corporate performance, Clarkson (1995) widened the traditional definition to include the government and the communities that provide infrastructure and markets – whose laws must be obeyed, and to whom taxes and other obligations may be due – as well as traditional stakeholder groups such as employees, shareholders, investors, customers and suppliers. Stakeholders other than employees

can exercise considerable influence over the outcome of many change initiatives, but often the success of a project is highly dependent on support from other organizational members. Several examples illustrate this point.

McNulty and Ferlie (2002) attribute the lack of success of a project to change the care process for patients in the accident and emergency (A&E) department of a large UK hospital to the change agent's failure to generate sufficient support for the change from senior doctors and nurses. Clinical staff viewed the attempt to introduce change as interference from 'outside' by people who lacked adequate experience and understanding of the department's work. They were suspicious of the change agent's objectives, and believed that the project failed to address the core problems of the department and was more concerned with achieving cost savings rather than improving the services provided to patients. McNulty and Ferlie also report that A&E doctors viewed the process-based philosophy behind the initiative as a threat to the established function of the A&E department, in the broader context of the hospital, and doctors' roles within the department.

In a large manufacturing company, a change was blocked by a senior manager who was not immediately involved in any of the departments directly affected by the change but who was pursuing a separate agenda that was inconsistent with the proposed change. The proposal was to drive down costs by centralizing procurement in order to gain economies of scale. It had many supporters but the senior manager who opposed it did so because he favoured the company adopting a more decentralized structure.

While internal stakeholders can exercise considerable influence, external stakeholders can also be important. Local residents in a UK city were offended – to the point of rioting in the streets – when a large leisure company decided to rebrand its bingo halls as 'Mecca Bingo'. The problem arose because the company failed to recognize the impact of demographic changes, which resulted in many of its bingo halls being located in neighbourhoods with predominantly Islamic populations.

These examples illustrate the point that it is not always easy to identify all the individuals and groups who may be affected by a change or who have the power to influence the outcome of the change.

STAKEHOLDER MANAGEMENT

Chapter 18 reviews three approaches to identifying relevant stakeholders (the shareholder, ethical and instrumental perspectives), discusses the ethics of managing competing stakeholder demands, and considers criteria for prioritizing stakeholder interests. This chapter adopts an instrumental approach and explores stakeholder management from the perspective of politics and power.

Jawahar and McLaughlin (2001) offer an approach to managing stakeholders that draws on resource dependence theory, prospect theory and organizational life cycle models. Their underlying premise is that an organization faces different pressures and threats at different stages in its life cycle. Thus, over time, certain stakeholders will become more important than others because of their ability to satisfy critical organizational needs. Their theory identifies which stakeholders will be important at different stages in the organizational life cycle and indicates how the organization will attempt to deal with each of its primary stakeholders at every stage.

The contribution of resource dependence theory

Resource dependence theory conceptualizes the organization as being dependent on the resources in its environment for survival and growth. Jawahar and McLaughlin (2001) extend this theory to stakeholder management and propose that managers will be selective about which stakeholders require attention and will pay most attention to those stakeholders who control resources critical to the organization's survival. In the context of change management, resource dependence theory indicates that change managers will be motivated to attend to those stakeholders who control the

resources that are critical to the change project's success. The different levels of attention they devote to different groups of stakeholders are manifest in the form of different stakeholder management strategies. Following Carroll (1979), Clarkson (1995) and others, it is possible to identify four ways of managing stakeholders:

1. *Being proactive*: doing a great deal to address stakeholder issues
2. *Accommodating*: a positive but less active approach for dealing with stakeholder issues
3. *Defending*: doing only the minimum required to address stakeholder issues, for example attending to employee concerns only to the extent required by employment legislation
4. *Ignoring*: ignoring or refusing to address stakeholder issues.

The contribution of prospect theory

Prospect theory helps to explain why, sometimes, change managers are selective about which stakeholders they attend to, whereas on other occasions they will be more inclined to address the concerns of an extended range of stakeholders. Prospect theory posits that, relative to whatever reference point is used to evaluate an outcome, which might be the current position or a level of benefit that an individual hopes to achieve, outcomes evaluated as losses are weighted more heavily than similar amounts of outcome evaluated as gains. Central to prospect theory is the notion that the actual (objective) and psychological (subjective) values attributed to an outcome can and do differ. Bazerman (2001) illustrates this with the observation that the pain associated with losing \$1,000 is generally perceived to be greater than the pleasure associated with winning a similar amount.

The work of Kahneman and Tversky (1979) suggests that the way people react to situations depends on whether the outcomes are framed in terms of gains or losses. They hypothesize that when outcomes are framed in terms of gains, individuals will be risk averse, and avoid acting in ways that might threaten the anticipated gain, but when outcomes are framed in terms of losses, they will be more prepared to pursue a risky option if this offers the possibility of avoiding or minimizing the anticipated loss.

Bazerman (2001) provides an example of how this might work in practice. He describes a plant closure problem. When managers are presented with a positively framed version of the problem, the majority select plan A, the option with the 'certain' outcome (Table 17.1).

Table 17.1 Positive frame

Plan A		Plan B
'Certain' (no risk) outcome Selected by the majority	<i>versus</i>	High-risk outcome
Save one of three plants and 2,000 of 6,000 jobs		1 in 3 chance of saving all three plants and all 6,000 jobs, but a 2 in 3 chance of saving no plants and no jobs

Source: Inspired by ideas in M. Bazerman (2001) *Judgement in Managerial Decision Making*, 5th edn. Copyright ©2001 by John Wiley & Sons Inc.

However, when managers are presented with a negatively framed version of the same problem, the majority select plan D, which is the risky option (Table 17.2).

Table 17.2 *Negative frame*

Plan C		Plan D
'Certain' outcome framed in terms of what will be lost	<i>versus</i>	High-risk outcome Selected by the majority
Lose two of the three plants and 4,000 jobs		2 in 3 chance of losing all three plants and all 6,000 jobs, but a 1 in 3 chance of losing no plants and no jobs

Source: Inspired by ideas in M. Bazerman (2001) *Judgement in Managerial Decision Making*, 5th edn. Copyright ©2001 by John Wiley & Sons Inc.

Both sets of alternative plans are *objectively* the same. Plan A (saving one of three plants and 2,000 of 6,000 jobs) offers the same objective outcome as plan C (losing two of the three plants and 4,000 of the 6000 jobs), and plan B offers the same objective outcome as plan D.

Based on contributions from resource dependence theory and prospect theory, Jawahar and McLaughlin (2001) take the first step towards the development of their descriptive stakeholder theory by proposing two theorems:

1. In the absence of threats, a 'gain frame' will be adopted, and those leading the change will follow a risk-averse strategy and actively address all stakeholder issues. They will actively address all stakeholder issues because doing so is likely to persuade them all to support the change.
2. In the presence of threats, a 'loss frame' will be adopted, and those leading the change will pursue a risky strategy that involves addressing the concerns of only those stakeholders who are relevant to the immediate loss threat, while defending or denying any responsibility for the concerns of other stakeholders. For example, if a firm is in danger of being forced into administration, senior managers might do everything possible to address the concerns of creditors, while giving little attention to the concerns of employees.

The contribution of organizational life cycle models

Life cycle models posit that a change proceeds through a sequence of stages. Jawahar and McLaughlin (2001) argue that, at each stage, the threats and opportunities that could affect the success of the change may vary, so the resources required to support the change will also vary. This led them to argue that at any given life cycle stage, certain stakeholders become more important than others because they control the resources required at that stage in the process.

Jawahar and McLaughlin's stakeholder theory

Drawing on contributions from all three theories, Jawahar and McLaughlin (2001) argue that if, at any stage in the change project life cycle, the fulfilment of critical resource requirements is threatened, change managers will adopt a loss frame and focus their attention on those stakeholders who control the critical resources and interact with them in a proactive or accommodating manner. In those stages where the flow of resources is not threatened, decision makers are likely to adopt a gain frame, pursue a risk-averse strategy, and actively address the concerns of all stakeholders.

Change managers must not assume that if they engage in the kind of stakeholder analysis suggested below, they will have identified, once and for all, the key constituents who require attention. Power relationships and the ability of various individuals and groups to influence events will change over time; thus it may be necessary to review and manage stakeholder relationships on a continuing basis.

Using power responsibly

There are some change agents who are motivated to use their power to manage stakeholders in order to secure personal benefit, rather than benefit for others or the organization as a whole. Prioritizing self-interest may lead them to divert scarce resources away from collective purpose towards themselves (Rus et al., 2012) or to obtain personal benefits at the expense of others by, for example, claiming credit for others' achievements or shifting blame for their own mistakes. Wisse et al. (2019) argue that such self-serving behaviours can undermine organizational performance and employee functioning.

There will always be some organizational members who will be inclined to prioritize their self-interest (see the discussion of destructive leadership in Chapter 16), but based on their findings from three studies, Wisse et al. (2019) report that circumstances can increase the propensity of any leader to adopt a self-serving approach. They assert that fear of power loss, which may result from the anticipation of rivals securing more influence, being moved to a position where they have less control over valued resources, or being demoted or dismissed, is positively related to leaders demonstrating self-serving behaviour. The expectation of loss of power motivates them to harvest the resources and consequent benefits while they can.

Leadership can be, and very often is, a constructive force contributing to the delivery of beneficial change, but there are some individuals who exploit their power to prioritize self-interest. The ability to influence others is an essential element of change leadership but it needs to be exercised responsibly.

MANAGING STAKEHOLDERS

The final section of this chapter considers how change agents can use their power and influence to manage stakeholders. It introduces some useful tools that those seeking change can employ to identify others who are in a position to either support or resist the change, and explores how those seeking a change can intervene to increase the influence of potential champions, win the support of potential blockers and weaken the resistance of those who are unwilling to support the change. This political approach can be justified when change agents are seeking a change they believe will deliver benefits for 'important' stakeholders. (Issues relating to the identity of 'important' stakeholders will be considered in Chapter 18.)

Building on the key player matrix developed by Piercy (1989), Grundy (1998) suggests a useful approach for managing stakeholder relationships. The first part of the process involves a stakeholder analysis to identify important stakeholders and assess their power to influence and their attitude towards the proposed change. The second part involves developing a strategy for persuading influential stakeholders to support the change. Case Studies 17.1–17.3 illustrate how this approach can be used in practice.

Identifying the power and commitment of stakeholders

Grundy (1998) outlines three steps for identifying the power and commitment of stakeholders:

1. Grundy (1998) refers to the first step as the 'stakeholder brainstorm'. This involves identifying all those who might be affected by and/or could affect the outcome of the proposed change.
2. The second step involves assessing how much power and influence each group of stakeholders has. This can be quite difficult in practice:
 - There may be people with little influence over organizational issues in general but who have considerable influence over a particular issue related to the change.

- There may be individuals who express support for the change but who cannot be relied on because their supportive efforts are undermined by other people in their departments.
 - There may be people who have exercised little influence in the past but who have more power than anticipated or who have recently acquired the ability to influence others.
3. The third step involves assessing stakeholders' attitudes towards the proposed change. Again, this can be difficult. For example:
- There may be individuals or groups who appear to support the proposal in public but who work against it behind the scenes.
 - There may be others who misunderstand the proposed change but would be supportive if they were better informed.

Attitudes to change can range from positive, through neutral to negative. Shaw and Maletz (1995) describe those who proactively work to prevent the change effort from succeeding as 'blockers', and those who proactively work to ensure that it succeeds as 'sponsors'.

How a change was managed at GZF illustrates the utility of Grundy's three step process. Case Study 17.1 focuses on the first step, the stakeholder brainstorm.

CASE STUDY 17.1 GZF's response to changes in Switzerland's healthcare regulations: stakeholder brainstorm

In Switzerland, a new regulatory framework, the Healthcare Financing Policy, changed the 'rules of the game' in the healthcare sector. It introduced fixed prices for treatments and allowed a nationwide free choice of hospitals for all basic healthcare insurance holders. These changes led to greater competition between providers and increased pressure to deliver more cost-effective and customized services for patients.

GZF, a healthcare service provider in the Fricktal region, recognized that it would have to introduce some changes if it were to ensure its long-term survival and continued success. Unlike many hospitals in Switzerland, GZF is owned by a not-for-profit foundation. It has high ethical standards and a consensus-driven management culture. Up until the introduction of the regulatory framework, GZF had a history of slow and steady growth. Starting with the merger of two regional hospitals, it continued to grow by forging close links with small general practices in the region, integrating nursing homes and physical rehabilitation facilities into its two main acute hospitals, and establishing specialty clinics in rural areas that could refer patients to the two hospital sites.

The main thrust of GZF's response to the new regulatory framework was the decision to acquire a premium brand private clinic for plastic surgery, a strategic shift that required some major changes in the company's service orientation, skill sets and marketing efforts.



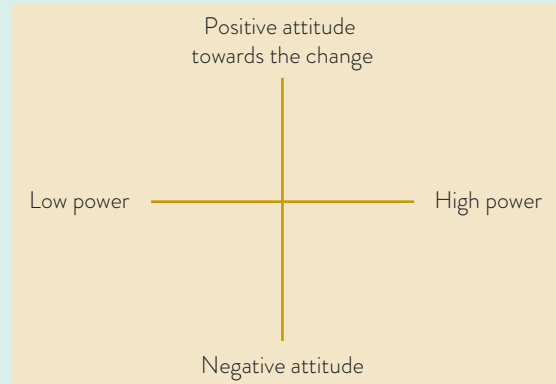
Photo by Bill Oxford on Unsplash

Identify the main stakeholders, those individuals or groups who might be affected by or could affect the outcome of GZF's proposed acquisition of the private clinic for plastic surgery.

The stakeholder grid is a useful tool that can be used to identify stakeholders in terms of their power and predisposition to support or oppose the change (Case study 17.1).

CHANGE TOOL 17.1 Stakeholder grid

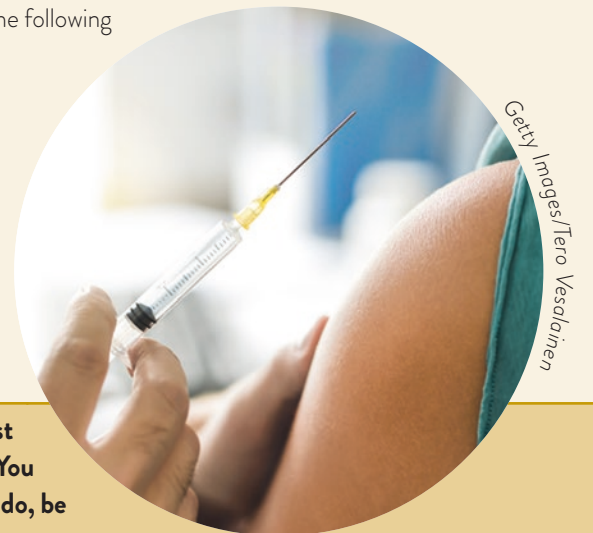
Locate all the stakeholders who can affect or might be affected by the outcome of the change onto the stakeholder grid below.



CASE STUDY 17.2 Mapping GZF's stakeholders onto a stakeholder grid

Those leading the change at GZF focused their attention on the following stakeholders:

- General practitioners and external specialists
- Employees
- High-ranking medical staff (a subset of employees)
- Patients
- Staff working at the private clinic
- Government and regulatory bodies
- General public
- The media.



How does this list of stakeholders compare to the list of stakeholders you identified in Case Study 17.1? You might want to add other stakeholders to this list. If you do, be prepared to justify why they are important.

Senior managers at GZF felt that the stakeholders listed above were important for the following reasons:

1. *General practitioners and external specialists:* GPs were identified as important because they can refer patients to one of the GZF hospitals or to other institutions in the region, depending on how well their demands are taken care of. Also, they are well placed to actively shape or damage the reputation of the hospital within their professional networks.

Those leading the change at GZF were aware that some GPs had a conservative attitude towards plastic surgery when used for cosmetic reasons. They were also aware that some felt that GZF could be acquiring too much power through this latest acquisition.

2. *Employees:* Employees were identified as important because the majority of the medical and nursing staff were highly specialized and extremely hard to find in the labour market. In Switzerland, where there are over 300 hospitals and clinics, medical and nursing staff have many employment options and so have considerable leverage when negotiating labour conditions. Hospitals are labour-intensive organizations and up to 70 per cent of all costs are labour costs. Consequently, any dissatisfaction that contributes to higher turnover, absenteeism or poor performance can have a significant impact on the bottom line.

Those leading the change felt that medical and nursing staff were motivated by a secure environment, attractive employment conditions and good development opportunities. While they assumed that the change would have a positive impact on all these factors, they also recognized that the change could affect some more than others and that

there could be some employees who might not perceive any personal benefit from the change. For example, following the acquisition, some employees could be invited or required to relocate to the new site (which is beautiful). Selected employees might also be required to develop new skills in order to perform different roles, and to adopt new attitudes in order to satisfy the demands of a new type of customer. While some might embrace these changes as opportunities for professional development, others might be unwilling (or unable) to adapt to the new circumstances.

3. *High-ranking medical officers:* The most senior medical officers are important because they are brand ambassadors whose skills and personal reputations have a powerful impact on critical issues, such as the government's decision to renew the mandate required for GZF to offer certain treatments, the ability of the organization to continue to attract and develop competent staff, and the quality of GZF's relationship with referring GPs.

Those leading the change anticipated that most high-ranking medical officers would embrace the change because it would not have any detrimental effect on their job security – an important factor because there is little turnover at their level, so alternative senior jobs might be difficult to find. The change would have a beneficial impact on their earnings because plastic surgery is not covered by basic healthcare insurance and therefore fees are not regulated. It was also anticipated that the change would not have any adverse effect on their (high) level of autonomy.

4. *Patients:* Patients represent the main source of revenue and, as such, are of critical importance to the organization's success. Patients also play a vital role when making or breaking an organization's reputation. They do not hesitate to turn to social media to voice praise, or to raise concerns and broadcast complaints. Increasingly, they are prepared to use threats (such as legal action) in order to satisfy their demands. The main priority for patients is excellent medical treatment and a better and more customized service.

Those leading the change anticipated that the acquisition of the private clinic would have little direct impact on most patients and would be welcomed by those with access to private health insurance, because it would open up the possibility of them paying for non-plastic surgery treatments in a special VIP luxury environment. However, they did recognize that a few patients might have reservations on ethical grounds and that some of those who could pay for private treatments might be frustrated if their condition could not be treated at the new site because, for example, the private clinic does not have an intensive care unit.

5. *Staff working at the private clinic:* Senior managers at GZF recognized that staff working at the private clinic were an important stakeholder group because it was essential that they continued to work effectively after the acquisition. They were also aware that the acquisition, and the possibility that some GZF staff could move across to work in the clinic, could be unsettling, especially so because staff working at the clinic had a strong sense of corporate identity, which they might feel could be diluted or destroyed following the clinic's integration with GZF.
6. *Government and regulatory bodies:* The cantonal government is the body that oversees the healthcare sector to ensure that standards are maintained and healthcare costs for taxpayers are kept to a minimum. It does this by giving a three-year mandate to each hospital for each specific medical treatment, thus heavily regulating their service portfolio. Those leading the change recognized the importance of maintaining good relationships with this regulatory body.

Another important issue that they were aware of was the tax implications of the acquisition. Since GZF is owned by a not-for-profit foundation, it is considered a social institution under Swiss law and is tax-exempt. The plastic surgery clinic was a for-profit organization (a private non-stock corporation, fully taxable under Swiss law). After its full integration as part of GZF, the clinic would also become tax-exempt.

Senior managers were aware that the cantonal government was reluctant to rule in favour of complete tax exemption for the entire organization, but its powers to block the change were constrained. Nonetheless, senior managers at GZF felt it was important to maintain good relationships with the cantonal government.

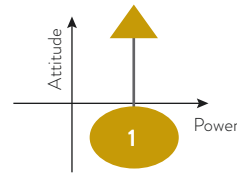
7. *General public:* The general public are potential patients/customers, and as such they can influence the organization's success. They can act as opinion makers and positively or negatively affect the organization's reputation. Their demands are potentially the same as the patients, but as they will not be directly affected by the change, no damaging impact was anticipated.
8. *The media:* The media can have an enormous impact on the organization's reputation. Their main concern and demand is for transparent corporate communications to satisfy their need for information.

After considering the assessments made by those leading the change at GZF, locate each stakeholder group on the stakeholder grid (Change Tool 17.1), according to their power and inclination to support or resist the change.

Influencing stakeholders to support the change

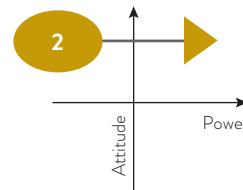
The second part of the process described by Grundy (1998) involves the change manager acting in ways that will ensure maximum support for the change. This might involve:

1. *Winning the support of those who oppose the change and have the power to influence the outcome:* Changing powerful blockers into sponsors might be achieved by providing them with information that could persuade them to be more supportive, involving them in the change process in order to give them more control over the outcome, or bargaining with them to win their support.

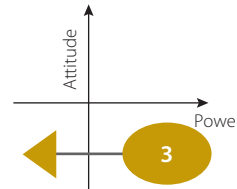


Listening to why they oppose the change and indicating a willingness to at least consider revising the change plan can be an effective way of winning their support. Sometimes, change managers are so concerned with being right that they lose sight of their original goal.

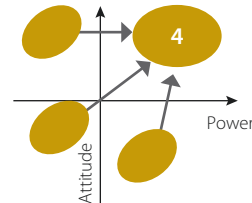
2. *Increasing the influence of already supportive stakeholders:* This might be achieved, for example, by working to secure their appointment to decision-making groups that regulate matters related to the proposed change.



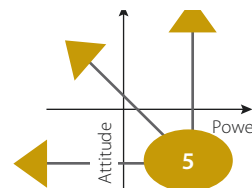
3. *Reducing the influence of powerful blockers:* This might be achieved in a number of ways. For example, managers can challenge the arguments that blockers use to oppose the change. They can also take steps to marginalize them from the decision-making process by working to ensure that they are not members of the committee or group that has to sanction the change, or by transferring them to another part of the organization.



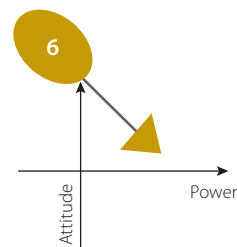
4. *Building a coalition of supportive stakeholders who will be prepared to work together to support the change:* This might involve communicating an inspiring vision that highlights mutual benefits and encourages independent groups of stakeholders to align themselves with the change manager's purpose.



5. *Fragmenting existing coalitions who are antagonistic towards the change:* This might involve picking off key players in the coalition and providing them with information that could persuade them to be more supportive, or bargaining with them to win their support (as in 1 above) or undermining their case (as in 3 above).



6. *Bringing new sponsors or champions into play:* This could involve persuading 'players' who have not been proactive to take a more active part in influencing events. It may also involve publicizing the proposed change within the company or in the wider community, via the media, in order to seek support from powerful individuals or groups who may be unknown to the change manager. However, this kind of intervention is not without risk because it could also attract the attention of unknown others who may be opposed to the change.



Another possibility that the change manager might consider is reformulating the change in a way that will make it more acceptable to a wider range of stakeholders, as shown in Case Study 17.3.

CASE STUDY 17.3 Managing stakeholder relationships at GZF

The way GZF managed the change was successful, in large part, because management developed effective strategies to persuade influential stakeholders to support the change. Their assessment of the power and inclination of stakeholders to support or resist the change is presented in Figure 17.1.

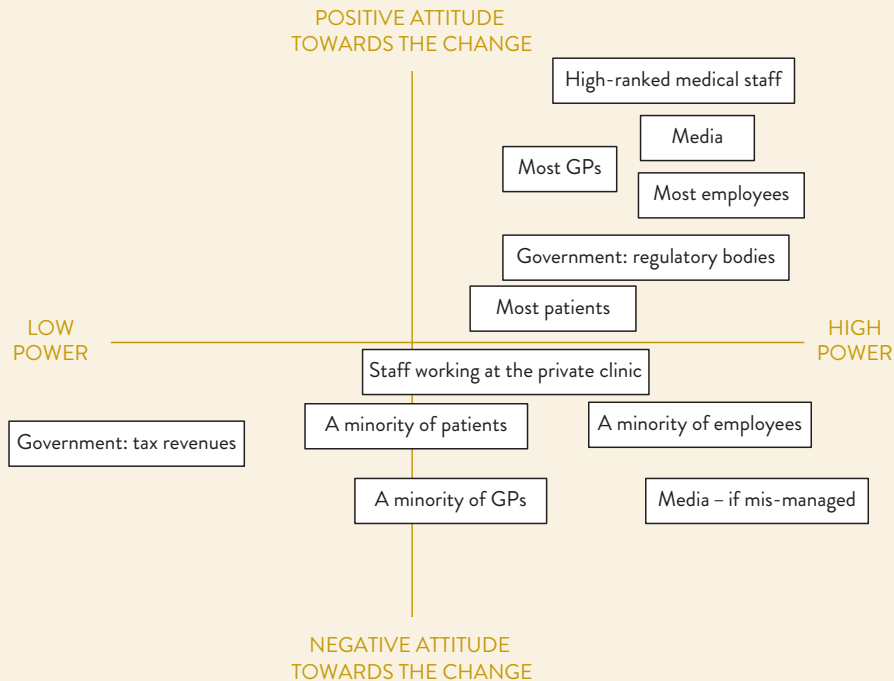


Figure 17.1 GZF's assessment of the power and inclination of stakeholders to support or resist the change

How does GZF's assessment compare with the one you made at the end of Case Study 17.2?

An overview of what the senior managers at GZF did to address stakeholder concerns and win their support is summarized here:

- Having learned from previous change projects, senior managers were proactive in the way they communicated with these stakeholders. They actively sought out two-way personal communication with key personnel in government agencies, with GPs and those specialists who had lots of informal power in their respective communities. They also initiated one-to-one meetings with key internal players, such as high-ranking medical officers, including those employed at the private clinic, and arranged frequent town-hall meetings and round-table lunches with employees, together with media conferences and interviews with reporters. They also posted personalized letters to patients explaining the proposed change.
- Those GPs who were known to be sceptical about the change were guaranteed that all their patients would be swiftly referred back to them once acute treatment was over. They were also informed that following the acquisition of the private clinic, more patients would potentially be referred back to them for post-surgical treatment. A coalition of GPs who were not altogether happy with the change was fragmented by GZF, who appointed some of them to the board of directors and invited others to be external specialists and attending physicians.
- Communications directed towards employees conveyed the message that the acquisition was crucial for the company's long-term survival and success and emphasis was given to the impact this would have on their job security. Also, the possibility of employment at the plastic surgery clinic was framed as an opportunity for job enrichment and professional development.

- As soon as the acquisition of the private clinic had been announced, a meeting was arranged for all staff at the clinic to explain the rationale for the change, how it would affect them and to provide reassurance that the clinic would retain its status as a prestigious centre of excellence.
- Strategic partnerships were developed with other hospitals offering similar treatments so that GZF could be less dependent on any specialist staff who might want to resist the change.
- A message directed towards the government was that any loss of tax revenue might be counterbalanced by increased employment opportunities for the local population.
- Careful attention was given to communicating every aspect of the change and the communication strategy used resembled Clampitt et al.'s (2000) 'underscore and explore' strategy, discussed in Chapter 20.

Source: Case Studies 17.1–17.3 are based on contributions from Miriam Crespo, director of communications at GZF.

An important point to remember is that as a change project unfolds and circumstances change, the identity of key stakeholders may also change. This can have implications for how you decide to manage stakeholder relationships over the short term, because some stakeholders who may be unimportant today could become much more important in the future. If they feel that their interests have been disregarded in the past, they may be reluctant to support the change manager in the future.

MANAGING RELATIONSHIPS BETWEEN STAKEHOLDERS

There is evidence suggesting that the way one set of stakeholders is managed can affect how other stakeholders will react to a change. For example, the way redundancies are managed can impact the commitment and motivation of survivors. There is a widely held view that if leavers are seen to be treated badly, this will adversely affect the motivation and commitment of those who have kept their jobs. Early work on 'survivor syndrome' (see Brockner, 1992; Doherty and Horsted, 1995) focused attention on how the good treatment of leavers can help to maintain the support of survivors. However, while there is evidence to support this proposition, a more recent study has shown that managing stakeholders to maintain commitment can be a more complex process than it may appear. Sahdev (2004) found that focusing too much attention on pleasing leavers can have a negative effect on the behaviour of survivors (see Research Report 17.1).

RESEARCH REPORT 17.1 Perceptions of fair treatment

Sahdev, K. (2004) Revisiting the survivor syndrome: The role of leadership in implementing downsizing, *European Journal of Work and Organizational Psychology*, 13(2): 165–96.

Sahdev's qualitative study compared the effects of two different approaches to managing redundancies. She studied two organizations, Barclaycard and SKF UK (a leading provider of bearings, seals and lubrication systems), over a four-and-a-half-year period, collecting data from company documents, one-to-one interviews and focus groups. In both organizations, downsizing was accompanied by a transformation change.

Barclaycard, anticipating greater competition, had proactively embarked on a three-year re-engineering programme designed to reduce costs and deliver better service to customers. It involved a big investment in new technology, the redesign of roles and responsibilities, and the introduction of a matrix structure. As part of the change, 1,100 employees were made redundant. Guided by state-of-the-art knowledge (including research on survivor syndrome), the company focused strongly on accommodating leavers by pursuing a transparent redundancy process, applying fair decision rules, and providing substantial support for leavers in terms of outplacement and redundancy packages.

While the majority of those who were made redundant felt they had been fairly treated, employees who were retained felt let down by the company. The new technology did not deliver the promised high service levels. Response speeds were too slow, making it difficult to satisfy customer needs. Customer service advisers also failed to achieve their

targets, creating high levels of anxiety. Employees began to question the rationale for the change and the capability of senior management to handle the re-engineering programme. Senior managers were rarely visible throughout the change process and many employees felt that the changes were implemented mechanically, with little regard for those who had to make them work.

Furthermore, the way senior managers announced the impending downsizing created false expectations. Everyone assumed that they could take the severance package and many started to make plans for 'life after Barclaycard'. Unfortunately, lots of applications for voluntary redundancy were rejected and many of those who did not want to be part of the new world were forced to stay on.

The outcome, contrary to the company's expectations, was that while every effort had been made to manage the redundancy process in a positive and supportive way, this approach had failed to retain the commitment and support of those employees who were retained. Sahdev attributes this to the lack of attention given to survivors' needs.

SKF UK was pushed into a major change programme because, compared with other SKF sites, the UK operation was a high-cost, low-quality producer of ball bearings. In order to avoid closure, the company embarked on a lean manufacturing transformation programme. This involved shifting responsibility down the hierarchy to blue-collar workers directly involved in the manufacturing process, and empowering them to take whatever actions might be necessary to eliminate waste and improve quality. Managers were supportive and engaged with the production operatives to ensure that they had the resources to manage the many day-to-day challenges they faced. Management also made a significant investment in educating the entire workforce to acquire new skills, for which they received extra pay.

Overstaffing was addressed through a voluntary redundancy programme, which targeted those workers who had been with the company for a long time and who genuinely wanted to take early retirement rather than retrain and adopt the new ways of working. The severance scheme was generous and allowed people to leave with dignity.

Compared to the survivors in Barclaycard, those who stayed on at SFK were more committed to the company. Sahdev suggests that this was because, while SKF gave people the choice of leaving with a generous severance package, the company also gave high priority to the needs of those who chose to stay. Barclaycard, on the other hand, paid too much attention to the leavers and insufficient attention to winning the commitment of those who were retained.

Sahdev's (2004) study suggests that changes such as downsizing need to be managed in a way that directly attends to the needs of all stakeholder groups, including leavers and survivors. Focusing attention on leavers, while necessary, is not sufficient to ensure the commitment of those who are retained.

Reflect on the issues discussed in this chapter and addressed in Case Studies 17.1–17.3 and consider how they apply to the management of stakeholders in your organization in Exercise 17.3.

✓ EXERCISE 17.3 Stakeholder management

Think about a recent change you have observed at work, college or elsewhere and, with the advantage of hindsight:

- identify the stakeholders involved in the change
- classify them according to their power to influence and their attitude towards the change
- assess the extent to which the person managing the change was aware of these stakeholders and took proper account of them when managing the change.

SUMMARY

Organizations are conceptualized as a collection of constituencies, each pursuing their own interests. When there is a conflict of interest, it is often the power and influence of those involved that determines the outcome rather than logical and rational argument. Consequently, in order to ensure the successful introduction of a change, it is essential that change managers secure the assistance of powerful stakeholders and build a critical mass of support for the change.

Power is inherent in any relationship in which one person or group is dependent on another. Leaders can increase their ability to influence others by taking steps to increase others' dependence on them and minimizing their dependence on those they are seeking to influence.

If, at any stage in a change project, the fulfilment of critical resource requirements is threatened, organizational decision makers will adopt a loss frame and interact with those stakeholders who control the critical resources in a proactive or accommodating manner and with other stakeholders in a defensive manner. If the flow of resources is not threatened, decision makers are likely to adopt a gain frame, pursue a risk-averse strategy and actively address the concerns of a wide range of stakeholders.

The stakeholder grid was introduced as a useful tool for identifying the power of stakeholders and their predisposition to support or oppose the change.



RESPONSIBLE CHANGE MANAGEMENT: AN ETHICAL APPROACH

LEARNING OBJECTIVES

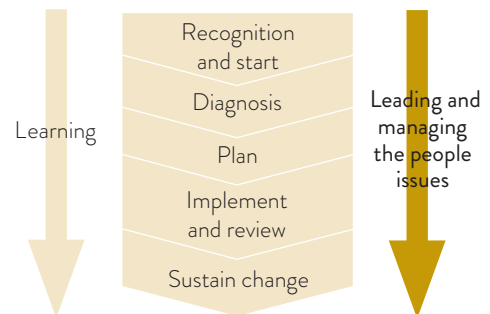
After reading this chapter you will be able to:

1. Recognize the nature of responsible change management practice.
2. Critically assess the proposition that responsible behaviour involves doing the right thing to others.
3. Evaluate the relative merits of shareholder primacy and the extended stakeholder perspective when deciding who to take into account.
4. Recognize the potential benefits of building reputational capital.
5. Explain the issues that need to be considered when reconciling competing stakeholder demands.
6. Draw on notions of altruism and egotism to identify what doing the right thing means.

Chapter 17 considered the political reality of change management and explored how power and influence can be used to facilitate or resist change. This chapter challenges the assumption that those with power should always prevail (might is always right), and focuses attention on the need for individuals and organizations to exercise power in a responsible way.

While many agree that responsible behaviour involves doing the right thing towards others, there is little consensus about who these 'others' are and what 'doing the right thing' involves. This chapter explores the relative merits of three different approaches to defining which 'others' should be considered when managing change, and draws on notions of altruism and egotism to provide some insights into what 'doing the right thing' means.

Before reading Chapters 18 and 19, complete the ethics quiz and, when you have the opportunity, compare your answers with how other people responded. The quiz is designed to help you clarify your own views about what constitutes ethical and unethical behaviour.



Are any of the following examples of unethical behaviour?	Yes	No	It depends
Informing your boss about a colleague's deliberate time wasting			
Pretending to be at work when you are attending an interview for another job			
Promising a supplier preferential treatment in the future if they rush through the delivery of a last-minute order			
Failing to share information others want but only you have			
Pushing subordinates to achieve a 'stretch' target			
Turning a blind eye when you are aware that others are bending the rules			
Protecting your own interests			
Purchasing supplies from foreign producers who are complying with local laws, but employing workers in conditions that would not be allowed in your own country			
Acting in favour of a customer out of friendship			
Misleading a colleague in order to secure a necessary change			
Obedying an order that involves discriminating against a member of staff on the basis of their age, religion, gender or colour			
Massaging performance data to present your department in the best possible light			
Making decisions, on your own initiative, that prioritize social responsibility over profit for shareholders			
Telling 'white lies' to avoid a confrontation			
Failing to attend to the interests of others who will be affected by a change			
Blaming others for your mistakes			
Bending the rules to help others achieve important performance targets			
Paying a 'commission' (bribe) to ensure that a vital component is delivered on time			
Covering up for a colleague's mistakes			
Going along with others so as not to be seen as 'difficult'			

IRRESPONSIBLE CHANGE MANAGEMENT

Managers can become so focused on achieving a specific objective that they accidentally neglect or deliberately ignore other priorities. Case Study 18.1 illustrates this point.

CASE STUDY 18.1 Patient care at the Mid Staffordshire hospitals

The board of Mid Staffordshire General Hospitals NHS Trust embarked on a major change programme directed towards achieving the elite status of a foundation trust. Foundation trusts have greater autonomy than other hospitals, are less dependent on government funding and have the right to borrow money from banks. In order to achieve this sought-after foundation trust status, the trust was required to prove its financial competence, balance its books and achieve a range of government targets such as those relating to waiting times. As the push for change gathered momentum, the trust set itself the target of £10 million savings (8 per cent of turnover). It achieved this by pursuing a tough top-down change strategy (see Chapter 10) that involved eliminating 150 jobs, some restructuring, an 18 per cent reduction in the number of beds and a range of other cost-cutting measures.

The Healthcare Commission, the NHS watchdog in England, became aware that death rates for patients admitted as emergencies at the Mid Staffordshire hospitals were significantly higher than at comparable hospitals and initiated an investigation. Attention was focused on the A&E department, the emergency assessment unit and the surgical and medical management of emergency admissions. Problems were found at every step along the emergency care pathway (Healthcare Commission, 2009). For example:

- Because of a shortage of nurses, when patients arrived at A&E, the seriousness of their condition was assessed by a receptionist who was not clinically trained. Patients were then moved on to a reception area that was out of sight of reception staff.
- There were shortages of essential equipment such as cardiac monitors.
- Because of the shortage of doctors and nurses, assessment and treatment were often delayed.
- Junior doctors were pressurized to make decisions quickly.
- Doctors were diverted from treating seriously ill patients to deal with more minor conditions in order to avoid breaching the government-imposed target that 98 per cent of patients arriving at A&E should be seen and either admitted to a ward or discharged within four hours.
- Another tactic to 'stop the clock' and avoid breaching this target was to move patients out of A&E to the emergency assessment unit. Once there, because of staff shortages, they were not properly monitored.
- Nurses had high workloads and many were undertrained. Cases were reported where nurses turned equipment off because they did not know how to use it.
- Because of staff cuts, there were too few consultants to supervise junior doctors.
- There were too few operating theatre sessions at weekends.
- Patients had to wait for medication, pain relief and wound dressing and sometimes the wrong medication was administered.
- The care of postoperative patients was so poor that signs of deterioration were missed or ignored.
- Relatives reported that patients were left for long periods in soiled bedclothes and were left without food or drink – there were even reports of thirsty patients drinking water out of flower vases.

The top-down change strategy targeted at winning foundation trust status was successful, but only insofar as it delivered this narrowly prescribed outcome. The trust was awarded foundation status but this 'success' was short-lived. The publication of a damning Health Commission report led to further investigations into the quality of care delivered by the trust. The last of these was a lengthy public inquiry that led to its eventual dissolution. The Stafford Hospital was renamed and taken over by a newly constituted NHS foundation trust.

Jeremy Hunt, then minister for health, stated in his introduction to the government's response to the public inquiry that:

a toxic culture was allowed to develop unchecked which fostered the normalisation of cruelty and the victimisation of those brave enough to speak up. For far too long warning signs were not seen, ignored or dismissed. (DH, 2013, p. 5)



Getty Images/Kiwis

Senior managers prioritized cost-cutting and cascaded orders down the hierarchy that failed to support patient care. Systems designed to draw the board's attention to clinical issues failed to function, and senior managers paid little or no attention to concerns expressed by staff, patients and relatives about the quality of patient care. 'Targets and performance management ... overwhelmed quality and compassion' (DH, 2013, p. 21). Patients, their families, nurses, junior doctors, former employees, the local community and the NHS were all let down by irresponsible managers who were pursuing their own agenda.

When you have read this chapter and Chapter 19, review this case again and:

- 1. Identify why things went wrong at Mid Staffordshire hospitals.**
- 2. Consider what organizations can do to promote responsible management and avoid this kind of problem.**

RESPONSIBLE MANAGEMENT

Ideas about an organization's obligations to wider society and calls for managers to adopt more ethical practices began to gain traction following the publication of Bowen's book, *Social Responsibilities of the Businessman*, in 1953. More recently, a growing acceptance of the impact of population growth and climate change, and the transparency derived from the widespread availability of information and instantaneous connectivity, has ramped up the pressure on managers to articulate their vision, values and responsibilities, develop more sustainable business models and demonstrate accountability in their practices (Ghobadian et al., 2015).

There has been much debate about what constitutes 'responsible management' and how those leading change should act. Waldman and Galvin (2008) suggest that responsible managers are those who feel an inner obligation to do the right thing towards others, but they go on to point out that there is no consensus about who these 'others' are or what 'doing the right thing' means.

WHICH 'OTHERS' SHOULD BE THE FOCUS OF ATTENTION?

Case Study 18.2 provides a brief overview of the Volkswagen emissions scandal, sometimes referred to as 'Dieselgate'. Read through this case study and identify those stakeholders (the 'others') who you think were affected by Volkswagen's decision to falsify emissions data.

CASE STUDY 18.2 The VW emissions scandal: what the company did

Volkswagen (VW) falsified emissions data in order to deceive potential customers and regulators. In September 2015, the Environmental Protection Agency (EPA) announced that nearly half a million VW diesel cars sold in the USA had been fitted with a so-called 'defeat device', software which could detect when they were being tested and change engine performance to emit less nitrogen oxides (NOx). Under normal road (rather than laboratory test) conditions, the engines emitted NOx pollutants up to 40 times above that which is allowed in the USA.

For nearly a year before the EPA announced its findings, VW had claimed that discrepancies between laboratory test and road test data could be explained by technical glitches. It was only after the EPA published its findings that VW acknowledged that its emission test data had been manipulated. Since then, the company has admitted that defeat (cheat) devices had been fitted to about 11 million cars worldwide, including 8 million in Europe.

In November 2015, VW also reported 'irregularities' in the tests it used to measure carbon dioxide emissions. These flawed tests affected about 800,000 cars in Europe – including up to 10,000 petrol vehicles.



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Before you read on, make a list of the stakeholders who might have been affected by VW's decision to fit cheat devices.

There are competing views about which ‘others’ should be the focus of attention. Three of these are considered here.

The shareholder perspective

One view, reflecting an economic or shareholder perspective, is that the only ‘others’ who managers are responsible to are shareholders and that ‘doing the right thing’ involves making profit for the owners of the business. Milton Friedman (1970) was a leading advocate of this doctrine of shareholder primacy. Edgecliffe-Johnson (2019) argues that this view has defined Anglo-Saxon capitalism for the past 50 years and the pursuit of returns to company owners has led to greater profits, wealth for investors and high rewards for executives whose pay is tied to shareholder value. But, according to Edgecliffe-Johnson, it has come at a cost to employees, customers and the environment. Some of the implications of this argument are explored in more detail later.

The extended stakeholder perspective

An alternative view, the extended stakeholder perspective, is that managers are responsible to a much wider range of ‘others’, such as suppliers, customers, employees and the public at large, and that responsible managers are those who act in ways that support the interests of an extended range of stakeholders, not just shareholders. This extended stakeholder perspective includes two very different views about which ‘others’ responsible managers should consider.

The ethical approach

According to ethics-based theories, the interests of all stakeholders have intrinsic value and should be taken into account when formulating strategy and planning and implementing change. Berman et al. (1999) note that ethics-based theories hold that many claims of stakeholders, such as their supply of drinking water should not be polluted, are based on fundamental moral principles unrelated to the stakeholders’ instrumental value to the organization. Those who subscribe to the ethical approach argue that moral commitments should provide the basis for managing stakeholder relationships rather than the desire to use stakeholders to promote managerial interests.

Balancing shareholder interests and wider stakeholder concerns

Pressures from investors can make it difficult for managers to address the concerns of all stakeholders because investors may fail to see any connection between ‘doing good’ and financial performance, but Waldman and Siegel (2008) observe that there can be instances where the interests of shareholders and other stakeholders coincide. They argue that it is in the organization’s interest to act in a socially responsible way when doing so will deliver a net benefit for shareholders. This view echoes those of Fombrun and Gardberg (2000, p. 90), who assert that:

Sustained corporate citizenship creates reputational capital and so provides a platform from which other opportunities may spring. The supportive social relationships that a company builds through its citizenship programmes today put it in a more favourable position to take advantage of opportunities that emerge tomorrow. In contrast, companies that fail to invest in corporate citizenship today may lack the relationships and reputational capital that they need to exploit emerging opportunities tomorrow.

While there is only limited evidence of a correlation between corporate *social* performance and corporate *financial* performance, Fombrun and Gardberg (2000) argue that by ‘doing good’ and addressing the concerns of a wide range of stakeholder groups, it is possible for organizations to generate reputational gains that will improve their ability to attract resources, enhance performance and build competitive advantage. For example:

- Committed employees can help build reputational capital when they convey the merits of the company to customers, friends and neighbours.
- Satisfied customers can promote a positive image of the company.
- Activist groups are more likely to endorse organizations that promote safe working practices, pollution prevention, philanthropy and equal employment opportunities.
- The media is more likely to feature positive stories about organizations that are seen to be behaving in a socially responsible way.
- Joint venture partners will be more inclined to collaborate with companies that are viewed as good corporate citizens.

Mooney (2018) draws attention to a new movement of ‘purposeful capitalism’, which is providing a challenge to Friedman’s doctrine of shareholder primacy. She points to a letter from Larry Fink, CEO of Blackrock (an asset management firm that invested \$6.3 trillion in 2018), to chief executives of major corporations warning them that they must contribute to society as well as delivering financial returns or risk losing the support of the world’s largest asset manager. Edgecliffe-Johnson (2019) observes that Fink is far from a lone voice. Assets in US funds that aim to provide social or environmental benefits alongside financial returns have grown fourfold over a 10-year period. Mayer (2018) provides some convincing arguments about the need to treat corporate purpose as far more than just creating shareholder value.

For a more detailed discussion of the business case for corporate social responsibility, see Carrol and Shabana (2010).

The instrumental approach

The basic premise of the instrumental approach is that managers will only attend to the interests of stakeholders to the extent that those stakeholders can affect their interests. Instrumental theories posit that managers are selective in who they attend to and are not motivated by a concern for the welfare of stakeholders in general. Managerial interests vary. At a senior level, they may range from strategic concerns, such as marketplace success and organizational survival, to more parochial concerns, such as status or the end-of-year bonus. In most formulations of the instrumental approach, however, senior managerial interests are equated with the firm’s financial performance and the satisfaction of shareholders. At lower levels in the organization, many managers may be more concerned with managing relationships with different stakeholders who can have a more immediate impact on the performance of their department.

Implicit in the instrumental perspective is the assumption that change managers will switch their attention away from any stakeholders who are found to have little effect on valued outcomes and will abandon modes of dealing with stakeholders that prove to be unproductive. For example, an organization might adopt an employee share ownership scheme in the hope that it will motivate organizational members to work more effectively, but it might abandon the scheme if it has little effect on performance.

The instrumental approach to stakeholder management is highly pragmatic. In the context of change management, regardless of the purpose of the change, it dictates that the change manager will focus attention on those relationships that will affect the success of the change. Sometimes, however, those leading the change fail to recognize how their actions will affect their interests or the success of their organization or fail to identify important stakeholders, as in the case of the Mid Staffordshire hospitals change programme and VW’s decision to fit cheat devices.

At the end of Case Study 18.2, you were invited to list those stakeholders who might have been affected by VW’s decision to fit cheat devices. Case Study 18.3 suggests who some of these stakeholders were and how VW’s actions might have affected them.

CASE STUDY 18.3 Stakeholders affected by VW's decision to falsify emissions data

At the end of Case Study 18.2, you were invited to identify those stakeholders who were affected by VW's decision to fit defeat devices to its vehicles. A selection of those affected is listed below:

- *The public at large:* The NO_x pollutants emitted by VW diesel vehicles pose a public health hazard and can cause respiratory problems such as asthma, bronchitis and emphysema. The pollutants also amplify the effect of fine particles in the atmosphere that contribute to heart problems.
- *Official and unofficial organizations responsible for protecting the environment:* NO_x contributes to acid rain, which can damage aquatic environments such as streams, rivers, lakes and wetlands and cause harm to plants, fish and other wildlife.
- *Property owners:* Acid rain corrodes metal, damages painted surfaces and contributes to the deterioration of some stone surfaces.
- *Regulatory bodies responsible for consumer, environmental and safety standards:* In many countries, the installation of the defeat device infringed consumer, safety and environmental regulations, and the deception was illegal.
- *Vehicle owners:* False emissions data exaggerate fuel efficiency, understate running costs and are likely to have a negative impact on the residual value of vehicles when they are sold on. Vehicle owners could also lose out because, in some countries, the higher true level of emissions will require them to pay road tax at a higher rate.
- *Car dealers:* At the time, dealers with a VW franchise suffered a drop in sales. In some countries, the sale of some VW models was banned.
- *National and state governments:* The falsified emissions data have led to tax revenues, in some countries, being significantly less than they should have been.
- *Shareholders:* On the first day of trading after the EPA announcement, Volkswagen AG shares fell 20 per cent on the Frankfurt Stock Exchange. This was just the beginning of a series of big falls, and 12 days later shares were nearly 40 per cent down. It is estimated that Qatar, with a 17 per cent stake in VW, lost \$5 billion.
- *The media:* The media gained, insofar as stories about VW attracted a lot of attention, but the content of the coverage was very negative for the company.
- *Employees:* Many employees felt let down by their employer and felt their standing in society had been damaged because of the impact of the emissions scandal on the company's reputation.

Think about how some of the stakeholders listed above may have reacted to what VW did and consider what the consequences will be for the company. Stakeholders differ in the power they have to defend their interests, but sometimes regulatory bodies, interest groups and the state can intervene on their behalf. Make a list of consequences for VW and compare your list with that presented in Example 19.2.

Reconciling competing stakeholder demands

Adopting an extended stakeholder perspective can be fraught with difficulties. For example, the interests of one stakeholder group may not be compatible with the interests of other stakeholder groups. A large steel producer might decide to protect the environment and reduce its carbon footprint by switching from using electricity produced from fossil fuels to using hydroelectricity. While this decision might satisfy some environmental groups, it might upset others because constructing the dam to generate the hydroelectricity could threaten the survival of rare plant species.

Sometimes, when trying to reconcile competing demands, those leading a change only focus on attending to and managing the most powerful stakeholders. They give highest priority to those who can frustrate their efforts to achieve valued outcomes. A more ethical approach to reconciling competing stakeholder demands might need to take account of factors other than just raw power.

Mitchell et al. (1997) suggest that competing stakeholder demands should be prioritized on the basis of their saliency and that this is determined by three attributes: power (as already discussed here and in Chapter 17), urgency and legitimacy. Urgency reflects the extent to which a stakeholder's claim justifies immediate attention. According to Mitchell et al., a claim is urgent when it is important and when a time delay in attending to it is, for some reason, unacceptable. Legitimacy is defined in terms of the decision maker's perception that the claim is proper or appropriate within a socially constructed system of norms, values or beliefs.

DOING THE RIGHT THING: ETHICS AND RESPONSIBLE LEADERSHIP

In Chapter 17, organizations are conceptualized as a collection of constituencies, each pursuing their own objectives, and attention is focused on the role of power and politics in change management. An important theme of this chapter is the responsible use of power. Burnes (2009, p. 373) cautions that:

if one accepts that politics dominates organizational life and that change is a battle between those who have power and those who want it, it is only a small step to arguing that 'might is right', that is those who have the power have the right to impose their change on the rest of the organization, regardless of how those on the receiving end feel about it.

This 'might is always right' perspective suggests that those who have most power will prioritize their own interests and show little concern for others. The responsible management perspective, on the other hand, asserts that those leading change should 'do the right thing' when addressing the concerns of 'relevant others'.

Doing the right thing at the level of the organization is often defined in terms of corporate responsibility and a commitment to the triple bottom line (profit, people and planet) in order to support economic, social and environmental sustainability. McLaughlin and McMillon (2015) present Walmart as a responsible organization. They report that it has been working with the Environmental Defense Fund (a US-based, not-for-profit environmental advocacy group) and several large food companies to adjust the use of fertilizer and other inputs and has already reduced greenhouse gas emissions by approximately 18 million metric tons since 2010, helped to increase the world's food supply and benefited customers by cutting the price of fruit and vegetables.

Aguinis and Glavas (2012) found that many of those organizations that engage in activities that support corporate social responsibility (CSR) do so primarily for instrumental reasons, such as reputational capital and expected financial outcomes, but they did find some organizations that were motivated by ethical reasons and a genuine commitment to doing the right thing for an extended range of stakeholders. However, they also discovered evidence of symbolic rather than genuine engagement, where organizations appeared to engage in CSR activities but only did just enough to appease stakeholders, meet the minimum requirements for certification, or comply with external regulations.

Doing the right thing at the level of the individual can be defined in terms of socially responsible behaviour. Crilly et al. (2008, p. 176) define socially responsible behaviour as: 'discretionary decisions and actions taken by individuals in organizations to enhance societal well-being (do good) or to avoid harmful consequences for society (do no harm)'.

Different forms of responsible and irresponsible behaviour

Kanungo and Conger (1993) developed a model that identifies different forms of responsible and irresponsible behaviour and highlights the essence of doing good and doing no harm. Their model draws on notions of altruism and egotism.

Altruism and the provision of benefit for others

Altruism is a dispositional intent to do good and help others without the expectation of reward. Although this pure manifestation of altruism (referred to in Figure 18.1 below as ‘genuine altruism’) may seem a bit alien in some business cultures, it is a principle that is widely valued and can be observed in many social and family contexts.

The egotistical pursuit of self-interest

Kanungo and Conger (1993) define egotism as a dispositional intent to pursue self-interest that does not assume any moral duty to act in the interests of others (unless doing so is the only way to secure personal benefit). Destructive leaders, discussed towards the end of Chapter 16, are often motivated by the pursuit of self-interest.

Social Darwinism and ideas embedded in laissez-faire capitalism support the notion of self-interest and the value of competition and winning. Those who subscribe to this philosophy argue that competition and a reliance on free-market forces leads to the survival of the fittest and that, over time, this process not only benefits the self-interested individuals and the organizations they work for but also delivers outcomes that benefit society at large. These ideas about the pursuit of self-interest have led many senior managers to promote a culture within their organizations that values personal achievements, efficiency and profits above the welfare of employees and society at large.

Kanungo and Conger’s model is presented in Figure 18.1. The horizontal axis reflects a disposition for benefiting or harming others, and the vertical axis reflects a disposition for benefiting or harming oneself.

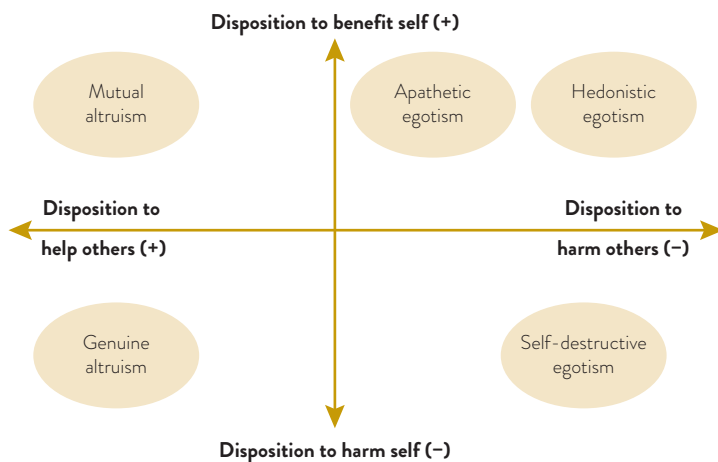


Figure 18.1 A framework for identifying different forms of altruistic and egotistic behaviour

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Hedonistic egotism

Hedonism is the impulse to gratify one’s desires. Kanungo and Conger (1993) describe the aggressive pursuit of self-interest as ‘hedonistic egotism’. There are many examples of this kind of irresponsible behaviour. All are unethical but not all are illegal.

An example that is both illegal and unethical is the truck makers’ cartel that was fined €2.93 billion by the European Commission in 2016. A group of companies responsible for 90 per cent of all medium and heavy trucks produced in Europe had colluded over a period of 14 years to fix prices, delay the installation of pollution-curbing exhaust pipes and engines, and pass on to customers the cost of meeting environmental standards (European Commission, 2016).

An example of this kind of behaviour that was not illegal but was certainly unethical was Sir Philip Green’s involvement in the collapse of BHS (see Example 18.1).

Apathetic egotism

Apathetic egotism involves standing back and doing nothing to protect or improve a situation for other stakeholders while pursuing one’s self-interest. A soon-to-retire consultant working at one of the Mid Staffordshire hospitals provides a good example of apathetic egotism. He told an investigator

EXAMPLE 18.1 Sir Philip Green and the collapse of BHS

In 2016, two UK parliamentary select committees published a joint report (House of Commons, 2016) into the collapse of BHS, a large chain established in 1928 (as British Home Stores) with over 200 department stores.

Sir Philip Green purchased BHS in 2000 and then systematically extracted hundreds of millions of pounds, leaving the company and its pension fund so weakened that both eventually collapsed. Early on, when BHS was in profit, dividends taken out of the company were much greater than after-tax profits. Over this same period, Sir Philip sold assets and cut costs but failed to invest sufficiently in the business to beat the prevailing high-street competition or meet obligations to the company's pension schemes.

The inquiry found that not only had Sir Philip Green and his family accrued incredible wealth during their years of BHS ownership, but also that many of those who were closest to the decisions that led to the collapse of the business walked away greatly enriched despite the company's failure.

The eventual disposal of the business left many losers: 11,000 employees lost their jobs, 20,000 current and future pensioners faced substantial cuts in their pensions, and companies in the BHS supply chain were also hit. When Sir Philip Green bought BHS, the company's pension schemes were in surplus, but over the years this surplus was allowed to decline to an unsustainable £571 million deficit. Repeated requests from trustees for higher contributions to the pension funds were ignored. Sir Philip declared that he was unaware of the growing deficit, but the parliamentary committee rejected this claim and accused him of failing to meet his obligations to employees.

Eventually, in 2017, he struck a deal that halted the Pensions Regulator's action against him when he agreed to pay £363 million into the insolvent pension fund.



Getty Images/jax10289

that he did not have a managerial role and used this to justify his failure to challenge what was going on. He admitted that he did have concerns but took the path of least resistance. He talked to the investigator about receiving a veiled threat that, if he rocked the boat, he might be denied an expected discretionary increase in pay, which would have had a detrimental effect on his pension. He did nothing in order to protect his own interest.

Self-destructive egotism

Self-destructive egotism is an irresponsible behaviour that does harm to both oneself and others. It can be observed, for example, when win–lose feuding deteriorates into lose–lose conflict. Individuals may be so strongly opposed to a change that they are prepared to withhold a vital resource in order to block its implementation, thereby damaging the interests of those proposing the change, even though this action will damage their own interests.

Genuine altruism

Genuine altruism involves helping others without regard for any inconvenience or cost to oneself. While genuine altruism is seen by many as the ideal form of responsible behaviour, there are others who argue that it can never be the norm in the workplace. Milton Friedman (1970), an advocate of the shareholder perspective introduced at the beginning of this chapter, differentiated between owners and managers and argued that, unlike owners, managers do not have the right to practise genuine altruism. He argued that when acting as agents (rather than when acting in their capacity as

private individuals), managers do not have the right to use the owners' assets to benefit others unless doing so will secure some net benefit for the owners.

Owners, however, have no such constraint on their freedom to act in a genuinely altruistic way. Soon after Ben and Jerry launched their ice cream business, Ben & Jerry's, they established a foundation to fund community-based projects and financed the foundation by contributing 7.5 per cent of their pre-tax profits every year. They also pursued other socially responsible policies, such as opposing the use of milk from cows that had been given recombinant growth hormones to boost milk production, and they sought to protect their customers and the environment by only using less chemically intensive ingredients in their products (www.benjerry.com/values/issues-we-care-about).

Despite Freidman's assertion that managers do not have a right to use the owners' assets to benefit others, there are some circumstances where managers do have the freedom to address other stakeholders' concerns, even when this will not deliver any obvious net benefit for the owners. For example, some managers work for owners who are so committed to pursuing genuinely altruistic policies that they encourage, or even require, managers to act in ways that will promote this goal. There are also organizations, such as the John Lewis Partnership, where employees are the owners, and there are nongovernmental organizations, such as Médecins Sans Frontières, where doing good is their reason for being.

Mutual altruism

As noted above, Aguinis and Glavas (2012) found that the primary motive for organizations engaging in CSR activities is the anticipation that this will lead to some benefit for the organization. This kind of altruism is motivated by a code of reciprocity that encourages individuals, groups and organizations to help others who have helped or could help them (see Gouldner, 1960). This is different from the need to nurture others that is the prime motivation for genuine altruism.

EXAMPLE 18.2 Ørsted's transformation from a black to a green energy company

Ørsted, a Danish energy company, provides a good example of an organization committed to mutual altruism. It is a financially successful company that is working hard to integrate commerce with an ambition to support a more sustainable world and a healthy environment. Formally known as DONG (Danish Oil and Natural Gas), the company recognized that renewable energy held the key to a cleaner future, and that it should do all that it could to transform itself from a black to a green generator. It set itself the ambitious target of all heat and power generation being essentially carbon-free by 2025.

By 2017, Ørsted had shut down three of its coal-fired power plants in Denmark, converted others from coal to certifiable sustainable biomass, disinvested itself of its upstream oil and gas business, and had a near 25 per cent market share of the global offshore wind market. This was when it changed its name from DONG to Ørsted, after the physicist Hans Christian Ørsted, who discovered electromagnetism. Today, it is a very profitable company that develops, constructs and operates offshore and onshore wind farms, solar farms, energy storage facilities and bioenergy plants, and provides energy products to its customers.

In 2020, it ranked number 1 in Corporate Knights Global 100 Index of the most sustainable corporations in the world and is recognized on the CDP Climate Change A List as a global leader on climate action.



Intentions, actions and circumstances

The manager's motivational intent is not the only factor that defines whether or not an act is morally good. According to Thomas Aquinas, the medieval philosopher, a morally good act has three parts: the intention or subjective motivation of the actor, the act itself, and the situation or circumstance in which the act is performed. Giving alms to a poor person is a morally good act, but Mendonca and Kanungo (2007) argue that refusing to give alms to a poor person could also be a morally good act if the benefactor believes that the gift would endanger the potential beneficiary because they will spend the money to support their drug addiction.

This more broadly based definition of a morally good act raises some interesting questions. For example, in some circumstances, could deceiving others, misrepresenting information and telling lies be a morally good act if the deception leads to a beneficial consequence for those who have been deceived, and the intention of the deceiver is to do good and not do harm? Gaspar et al. (2015) point to several cases that appear to support this proposition. Parents, who normally insist that their children tell the truth, may, in some circumstances, require them to tell lies. For example, they might persuade them to lie to their grandparents about how much they liked a gift, even though they did not and would have preferred something different. Here, the intention to deceive is to protect the grandparents' feelings. There are other circumstances where honesty can be hurtful. Giving a colleague honest feedback, especially if delivered in public, can be a source of embarrassment and may undermine their confidence. This might be less of a problem in a context where blunt honest feedback is valued and is the norm but could be very damaging in those cultures where 'face' is highly prized.

Individual differences

Many factors can affect a person's disposition to behave in a responsible or irresponsible way towards others. For example, Stahl and Sully de Luque (2014) suggest that empathy, an emotional response that is congruent with the perceived welfare of others, is important and report that it has been empirically shown to reduce a manager's propensity to comply with requests by authority figures to engage in behaviour that could have harmful consequences for employees. A factor that is positively associated with irresponsible and unethical behaviour is Machiavellianism. Nelson and Gilbertson (1991, p. 633) describe it as a personality construct that is associated 'with amoral action, sharp dealing, hidden agendas, and unethical excess'.

After reviewing a number of studies, Stahl and Sully de Luque (2014) conclude that those leaders who score highly on personality traits such as empathy and embrace self-transcendent values (values that motivate them to transcend selfish concerns) are more likely to make decisions and take actions that benefit society and avoid harmful consequences. Leaders who possess personality traits and values that emphasize the pursuit of self-interest (such as Machiavellianism) 'are more likely to engage in activities that put stakeholders at risk of harm and less likely to engage in activities that enhance societal welfare' (Stahl and Sully de Luque, 2014, p. 241).

✓ EXERCISE 18.1 Reflect on your own experience of managing change at work or elsewhere

- Think of an occasion when you have tried to reconcile competing stakeholder demands (or have observed others trying to resolve competing stakeholder demands). How effective were you (they)? Could you (they) have managed the situation more effectively?
- Have you (or somebody you have observed) lied or in some other way tried to deceive others? Was the deception morally right? Can deception ever be justified?
- Have you ever observed others, when managing change, behaving in a genuine altruistic way?
- Does mutual altruism provide a more sustainable basis for responsible change management?

SUMMARY

This chapter challenges the assumption that 'might is always right' and focuses attention on the need for individuals and organizations to behave in a responsible way. While many agree that responsible behaviour involves doing the right thing towards others, there is little consensus about who these 'others' are and what 'doing the right thing' involves. This chapter explores the relative merits of three different approaches to defining which 'others' should be considered, draws on notions of altruism and egotism to provide some insights into what 'doing the right thing' means and examines the relevance of intentions, actions and circumstances.



MANAGING CONTEXT TO PROMOTE ETHICAL PRACTICE

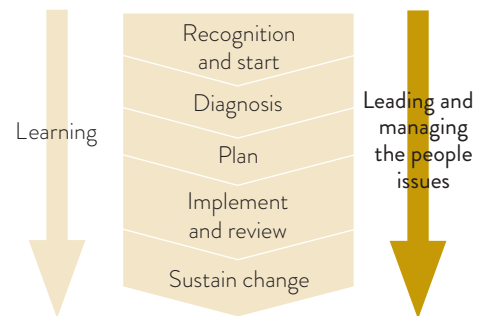
LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize what managers can do to promote ethical behaviour.
2. Describe the contextual factors that can affect whether or not people will behave in an ethically responsible way.
3. Explain how views about cultural relativism and ethical imperialism can affect how managers will behave when working in different countries.
4. Identify situations where powerful others might pressure people to behave in unethical ways.
5. Recognize the limitations of compliance-based approaches to promoting ethical practice.
6. Explain how a non-prescriptive, values-based approach can encourage ethical behaviour.
7. Critically assess the effectiveness of combined integrity management systems.

Chapter 18 examined the nature of responsible behaviour and ethical practice from the perspective of doing the right thing towards others. Attention was focused on the individual's disposition and how this can affect their intention to behave in socially responsible ways. This chapter focuses attention on the organizational and wider social context within which individuals operate and considers how this affects whether any good intentions will be translated into ethical practice.

The first part of the chapter examines some of the contextual factors that can affect the implementation of ethical practice, and the second part identifies practical measures that managers can take to promote responsible behaviour at every level in an organization.



THE EFFECT OF CONTEXT

Responsible leadership does not occur in a vacuum. Stahl and Sully de Luque (2014) cite Milgram's (1974) work on obedience to authority to illustrate how those who may be predisposed to act responsibly may, in some circumstances, act irresponsibly.

Milgram recruited 40 adult males from a variety of backgrounds to participate in an experiment. They were told that the experiment was to investigate the effect of punishment on learning, but it was actually designed to test the extent to which people will obey an authority figure even if the demands of the authority figure violate their moral values. The experiment was rigged so that all the participants were allocated the role of teacher. They were informed that their role was to help a learner (who was an accomplice of the experimenter) to learn a set of word pairs by administering an electric shock every time the learner gave an incorrect answer.

The ‘teacher’ was present while the ‘learner’ was strapped into a contraption that looked like an electric chair. The teacher was then seated in an adjacent room and shown how to communicate with the learner using an intercom and how to use an electric shock generator to administer shocks. The teacher was told that he had to increase the level of shock after each mistake. The shock generator had 30 switches, starting at 15 volts and increasing to 450 volts. Labels adjacent to the switches indicated their intensity. They started at slight shock and then progressed through modest, strong, very strong, intense, very intense, extremely intense, danger, severe shock to XXX.

As the experiment progressed, the learner began to make mistakes and the teacher was required to administer shocks. Unbeknown to the teacher, when they clicked a switch no shocks were actually given, but at 75 volts the learner (who was acting) grunted; at 120 volts he complained; at 150 volts he pleaded to be released; at 285 volts he let out an agonized scream; at 300 volts he complained of heart pains; at 350 volts he was totally silent. At this point, the experimenter instructed the teacher to treat silence as an incorrect answer and to give the learner the next level of shock. If and when a teacher hesitated, the experimenter prompted them to continue. The experimenter’s first prompt was ‘Please continue’, followed by ‘The experiment requires you to continue’, ‘It is absolutely essential that you continue’, and finally ‘You have no choice, you must go on.’

Some teachers refused to continue early on, but they were the minority. Sixty-five per cent of the 40 participants continued to obey the experimenter and administer shocks up to the maximum 450 volt level.

Milgram went on to conduct around 30 further trials, in some cases varying the design of the experiment. Obedience rates did vary, but Reicher (2018) found that they still averaged 42 per cent.

Milgram’s experiment is important because it demonstrates that under some circumstances, such as the influence of an authority figure or peer pressure, some people who are not naturally predisposed to be hostile or abusive may act in an aggressive, unethical or even destructive manner.

RESEARCH REPORT 19.1 Ethical issues associated with Milgram’s experiments

Milgram, S. (1974) *Obedience to Authority*. New York: Harper & Row.

While these experiments produced some interesting results, they also raised important ethical concerns and prompted a growing commitment to ensuring that those involved in laboratory experiments should suffer no harm. Some of those who participated in Milgram’s experiment reported signs of extreme nervous tension, such as profuse sweating, trembling and stuttering. It is most unlikely that anyone planning to conduct a similar experiment today would obtain approval from a research ethics committee.

Context and responsible behaviour

While contextual factors can lead to irresponsible and unethical behaviour, there are also many examples where organizational context can promote socially responsible behaviour. Stahl and Sully de Luque (2014) suggest, for example, that when leaders operate within an organization that has clear-cut standards for ethical conduct, a corporate culture that promotes and encourages ethical behaviour, and performance management and reward systems that hold managers accountable for their decisions and actions, they, and other employees, will have more incentive to do good. There is more about this later in the chapter.

IMPORTANT CONTEXTUAL FACTORS

Some of the most important contextual factors that can affect behaviour are proximity, the magnitude of the consequences of a decision, pressure to comply with the demands of powerful others, and the degree of social consensus.

Proximity

One of the variations in Milgram's experiment, referred to above, was to locate the teacher and the learner in the same room. It was observed that this manipulation of the context influenced the behaviour of the teachers and reduced the level of shocks they were prepared to administer. According to Jones (1991), how managers behave is influenced by how closely they are able to identify with those who will be affected by their decisions. For example, they may be more reluctant to lay off an employee they have known for years and who is working alongside them than a worker they have never met who is employed at a remote plant. Morris and McDonald (1995) elaborate on this point and suggest that managers will be less inclined to engage in 'do good' behaviours when those who will be affected are physically, socially, culturally or psychologically distant.

The magnitude of consequences

The extent to which managers will engage in socially responsible behaviour will be influenced by their perception of the aggregate harm or benefit that will accrue to themselves or others. For example, in situations where their interests are threatened, and the magnitude of the threat to themselves is severe, they may be motivated to behave in ways that will protect their own interests, even if this will cause harm to others. (See the discussion in Chapter 17 of how some leaders may behave when faced with a loss of power.) However, in circumstances where they perceive relatively few negative consequences for themselves, they are more likely to pay attention to the consequences of their actions for others. Morris and McDonald (1995) found that the greater the magnitude of consequences for others, the more likely it is that people will invest the time and effort to make more fair and just decisions. For example, the managers of a chemical plant may be prepared to dispose of waste into a nearby river in order to reduce costs if they perceive the magnitude of consequence for others to be relatively low, for example their action will only cause some people to suffer a minor stomach upset. However, they may be less prepared to behave irresponsibly if they believe that disposing of the waste product into the river could cause serious illness or the death of local inhabitants.

Social consensus

Jones (1991) defines social consensus as the degree of social agreement that a particular course of action is ethically right or wrong. Managers may be influenced by the consensus that prevails at the level of the work group, organization or society as a whole. Cohesive groups can pressure individuals into conforming to group norms. A lack of cognitive diversity among team members can lead to groupthink (Doh and Quigley, 2014), and leaders who allow questionable behaviours can be an important source of pressure (Sims, 1992). Paine (1994, p. 106) asserts that an unethical practice generally involves 'the tacit, if not explicit, cooperation of others and reflects the values, attitudes, beliefs, language and behaviour patterns that define the organization's operating culture'.

This view is echoed by Mendonca and Kanungo (2007), who argue that it is unlikely that some of the most high-profile corporate scandals (such as Enron, VW and Lehman Brothers) were entirely the fault of just a few rogue employees. A statement issued by Volkswagen in December 2015 attributed blame for the development and installation of the defeat device to the misconduct and shortcomings of individual employees, weaknesses in some processes and a *mindset* in some areas of the company that tolerated breaches of the rules (see Example 19.1).

EXAMPLE 19.1 The mindset within VW

Sometimes, a mindset can encourage employees to act irresponsibly because they fear the consequences of failure. For example, even though nobody may have instructed those who developed and installed the defeat device to do anything unethical, they may have felt pressurized to do whatever was necessary to succeed. They may have felt that the end justified the means.

Hull (2016) provides more details of how this may have worked in the engine development department at VW. He cites a report in the German newspaper *Sueddeutsche Zeitung*, based on evidence given by an employee to a VW internal investigation. The team had been tasked by the management board to develop a cost-effective, clean diesel engine for the US market. They recognized that this would not be possible within the limitations that had been imposed but, instead of reporting back to say that the targets were not achievable, technicians and managers working in the department decided to go ahead with the development and installation of the defeat devices to enable the cars to fraudulently pass the US emissions tests.

Quoting from the internal inquiry, *Sueddeutsche Zeitung* went on to report: ‘Within the company there was a culture of “we can do everything” so to say something cannot be done was not acceptable.’

The pressure on managers to adopt unethical practices can be especially high when such practices are widely accepted and embedded in the organization or national culture. Spencer and Gomez (2011) found a positive relationship between the level of corruption and bribery in a given country and the pressure on the managers of subsidiaries operating in that country to engage in corrupt practices. It can be difficult for managers, even when they have a deep commitment to avoiding harm and to doing good, to do what they think is right when others around them do not share this view.

More and more managers are employed by multinational companies and, with increasing frequency, they find themselves working in countries where the prevailing consensus about what is right or wrong is very different to that which exists in their home culture. Donaldson (1996) draws on ideas about ‘cultural relativism’ and ‘ethical imperialism’ to discuss different ways of responding to local pressures within a host culture. The cultural relativists’ position is that there are no universal rights and wrongs and that ‘when in Rome, one should do as the Romans do’. Some multinational companies operating in multiple markets give managers the freedom to conduct business in a way that takes account of local conditions and stakeholder expectations.

The ethical imperialists’ position is very different. It holds that, irrespective of whether certain acts are legal or widely accepted in different jurisdictions, there is an ethical code that dictates what is right and wrong in all situations. Companies operating in multiple markets that subscribe to this view prescribe a global template that requires managers to behave in accordance with a standardized set of principles. Managers are allowed no freedom to compromise the company’s ethical standards to accommodate local conditions and stakeholder expectations.

Stahl and Sully de Luque (2014) identify disadvantages with both approaches and point to a hybrid strategy based on a global template that provides managers with essential benchmarks and a guide for good practice, but allows those who are managing foreign subsidiaries some freedom to adapt the template according to their specific needs and circumstances.

Pressure to comply with the demands of powerful others

Individuals may be pressurized into behaving in irresponsible ways by powerful others who control important things such as resources (information, raw materials, finance) and career opportunities or, as demonstrated by Milgram’s experiments, who are seen to have the legitimate authority that gives them the right to determine how people should behave.

The soon-to-retire consultant working for one of the Mid Staffordshire hospitals, referred to in Chapter 18 (in the section Apathetic egotism), provides an example of someone who was pressured with veiled threats into behaving unethically. Also, the discussion of destructive leadership in Chapter 16 illustrates how powerful leaders can force others to behave in unethical ways.

Paine (1994) reports a case of managers attempting to improve the performance of auto centres by introducing new goals that required staff to sell so many springs, shock absorbers or brakes per shift, paying commission to those who achieved their targets and threatening transfer or a reduction in hours to those who failed. The result was that staff felt pressurized to behave unethically and

fudge the distinction between advising customers about what they actually required to ensure that their vehicles were maintained in good working order, and persuading them to buy products they did not need.

THE CONSEQUENCES OF IRRESPONSIBLE BEHAVIOUR

There are many examples, such as the Mid Staffordshire hospitals and VW cases, where irresponsible behaviour has caused serious damage. Other examples include:

- Employees at Wells Fargo, the fourth biggest bank in the USA by assets, who were encouraged to behave irresponsibly and forge signatures, move customers' money into unauthorized accounts, and alter contact information without customers' knowledge.
- Nick Leeson, a Singapore-based trader working for Barings, the UK's oldest merchant bank, tried to hide the fact that he had lost hundreds of millions of pounds, action that led to the eventual collapse of the bank.

In Case Study 18.3, you were invited to think about how stakeholders were affected by VW's falsification of emissions data. Some of the consequences are presented in Example 19.2. Consider how this catalogue of consequences compares with those you anticipated at the end of Case Study 18.3.

EXAMPLE 19.2 The cost and consequences of the emissions scandal for VW

The cost of the emissions scandal has been very high and is still rising. By the beginning of 2020, VW had paid out over €30 billion in fines and settlements, and many claims are still to be settled. Other consequences include:

- *Recall of cars worldwide:* At the time of writing, this issue has not been resolved for all markets, but in the USA, VW has agreed to compensate owners between \$10,000 and \$20,000 for each vehicle affected and, in addition, give them the option of having their car repaired free of charge or selling it back to the company for what it would have been worth if there had been no cheating scandal. In mid-2020, Germany's highest court ordered VW to pay compensation to the owner of a minivan, opening the door for up to 50,000 other German customers to seek compensation.
- *Legal action by shareholders seeking compensation for the massive fall in share values:* Over 270 institutional investors sued VW for allegedly failing to inform financial markets in a timely manner about the defeat devices. Norway's sovereign wealth fund also sought redress, as did Bavaria's state pension fund. More claims are expected.
- *Loss of car sales:* In the USA, car sales slumped by 12.5 per cent in the first quarter of 2016. The South Korean government revoked the certification of 209,000 VW cars (68 per cent of the total) sold in the country since 2007. In the first quarter of 2016, sales of VW cars in Europe fell, making VW the only brand in the top 10 not to grow. This was a 'big hit', but since then the company has shown a remarkable recovery.
- *Fines by governments and regulators:* In November 2015, South Korea fined VW 14.1 billion won (\$16 million) for cheating emission tests, and in August 2016, Italy's anti-trust agency fined the German carmaker €5 million for allegedly misinforming customers about diesel emissions. The largest fines to date have been imposed by the USA. In addition to paying \$10 billion in compensation to owners, VW has agreed to pay \$2.7 billion to federal and Californian regulators to fund pollution reduction projects and to make a \$2 billion investment in clean technology. The company has also paid \$603 million to settle other consumer and environmental claims.
- *Claims from car dealerships:* Many such claims are still to be settled, but VW has agreed to pay \$1.2 billion to 652 dealers in the USA.
- *Drop in profits for VW:* Following the scandal, VW reported its first operating loss (€4.1 billion) since 1993. However, as noted above, within a few years the company has shown a remarkable recovery. COVID-19 could dent this trend, but in 2019 pre-tax earnings had increased by 17 per cent to €18.4 billion, up from €15.6 billion in the previous year.

- *Damage to VW's corporate reputation:* VW suffered months of bad press. Many feel that the emissions scandal has damaged decades of accumulated goodwill and could make it much harder for the company to win the hearts and minds of customers, regulators and other potential stakeholders around the world. The erosion of trust is evidenced by VW granting US authorities the right to enter VW facilities at any time, any place, to inspect records, operations and procedures.

Could there be other costs and consequences for VW?

Recovering lost reputation

All is not necessarily lost for companies that behave irresponsibly. There is evidence that some stakeholders are willing to forgive and forget if those responsible for unethical behaviour genuinely try to make amends and change their behaviour. For example, Toyota is once again accepted by consumers and has regained its position as one of the two top car-selling companies in the world. Toyota made this recovery even though it had been fined \$1.2 billion by US prosecutors following the 2009 'cars speeding out of control' scandal.

RESPONSIBLE BEHAVIOUR AND PERFORMANCE

Aguinis and Glavas (2012) reviewed the literature on corporate social responsibility (CSR), and one of the issues they focused on was outcomes. At the level of the organization, they found a small but positive relationship between CSR activity and financial performance, and they found several non-financial benefits such as improved management practices, product quality, operational efficiencies, attractiveness to investors and enhanced demographic diversity. They also found that, within organizations, responsible behaviour had a positive impact on employee performance, behaviour and attitudes. The last point is supported by Sully de Luque et al. (2008), who found that when CEOs emphasized stakeholder values, their followers perceived them to be more visionary than autocratic, and that this, in turn, motivated subordinates to invest extra effort, which led to improvements in the organization's performance. There is some evidence that an autocratic leadership style can deliver economic gains over the short term but that it can erode employee motivation and engagement over the longer term.

PROMOTING RESPONSIBLE BEHAVIOUR AND ETHICAL CHANGE MANAGEMENT

There is a need for organizations to develop a culture that supports CSR, sustainability and responsible management. Responsible managers can focus on 'avoiding harm', for example ensuring product safety and avoiding environmental pollution, 'doing good', for example designing employee-friendly workplaces and supporting community development, or both. Stahl and Sully de Luque (2014) argue that both are important and observe that there is growing support for the view that CSR and responsible management involve more than just avoiding harm.

As noted in Chapter 18, the promotion of responsible management began to gain traction following the publication of *Social Responsibilities of the Businessman* (Bowen, 1953), but it was not until the 1980s and 90s – when a spate of high-profile scandals damaged corporate reputations, led to heavy penalties and exposed named managers to legal proceedings – that many organizations began to think seriously about responsible management, corporate liability and the quality of governance.

Once alerted to the need for action, organizations began to respond in different ways. Early on, the most common response was a narrowly focused, compliance-based approach, which involved imposing rules and regulations designed to eliminate illegal behaviour. There were, however, some

organizations that recognized that legal acts could still be unethical, so they adopted a more broadly compliance-based approach, which included codes of conduct and policies and practices designed to ensure that organizational members acted in ways that were both legal and ethical. Alongside these top-down, compliance-based approaches, another development was a more bottom-up, values-based approach that emphasized self-regulation (see below).

Compliance-based approaches

Most of those who advocate compliance-based approaches assume that people are essentially self-interested and will only behave with integrity when this coincides with their self-interest (Maesschalck and Bertok 2009), therefore the way to ensure responsible behaviour is to impose rules that employees must follow.

Some organizations have adopted templates for codes of conduct, rules and regulations that have been tried and tested elsewhere, but others have adopted a more bespoke approach and worked hard to develop a regulatory framework appropriate for their particular circumstances.

The development of a customized compliance-based system often starts with an assessment of the risks embedded in the structure of the organization. This might involve mapping risk-sensitive processes, such as procurement, and risk-sensitive roles, such as the management positions that involve awarding contracts to suppliers or selling the organization's products or services to customers in countries where bribes and inducements are common practice.

Armed with this information, measures can be introduced to eliminate opportunities for unethical conduct. These may include a register of conflicts of interest, rules regulating the acceptance of gifts and corporate entertainment, or structural arrangements, such as involving a number of individuals in making sensitive decisions so as to increase transparency, or rotating staff across roles or departments to ensure that people have less opportunity to develop inappropriate relationships with the other parties involved in risk-sensitive decisions.

Other features of compliance-based systems are codes of conduct that specify how people should behave, coupled with monitoring process and penalties for transgressions. Monitoring can be light touch, intense, occasional or continuous, and can involve, for example:

- checking records such as timesheets, work logs and expense accounts
- examining the way individuals manage subordinates and relate to other staff members or external stakeholders
- scrutinizing the use of email and social media
- unobtrusive surveillance to detect behaviours such as theft.

Organizational members need to be informed about the rules, regulations and other requirements with which they have to comply. The provision of information may be restricted to the circulation of manuals and codes of practice or could involve employees attending training courses that introduce and explain the requirements and the consequences of noncompliance.

Care needs to be exercised when implementing compliance-based systems. Typically (although not necessarily), their development is a top-down process with little input from those who will be affected. Whether or not the system will work as anticipated will depend on how those affected choose to respond. The managers responsible for implementing such systems may assume that people will comply with its requirements because they fear the consequences of noncompliance, but this will not always be the case. Tyler (2003) asserts that people obey the law because they believe it is legitimate, not because they fear punishment. Compliance-based systems work best when those affected perceive the rules and regulations to be legitimate, and the monitoring and penalties to be fair. If they believe them to be unfair, for whatever reason, the perceived injustice may undermine job satisfaction, commitment to the organization and may even lead to deliberate attempts to circumvent the rules. But perceptions of fairness and justice are not the only considerations. Maesschalck and

Bertok (2009) suggest that employees might interpret the imposition of the rules and regulations as a signal of distrust, which could also undermine their intrinsic motivation and may even reduce rather than increase their inclination to behave ethically.

It was noted above that compliance-based systems are not limited to the elimination of illegal acts but can also involve the promotion of ethical behaviour. Experience suggests that while regulations and codes of practice can be effective at preventing harm, they are not as effective, when used in isolation, at encouraging organizational members to do good. There is the danger that some employees will simply adopt a reactive box-ticking approach to satisfy those policing the regulations, rather than internalizing and being genuinely committed to a more proactive approach to exploring all possible ways of delivering benefit for an extended range of stakeholders. Paine (1994) notes that defining ethics in terms of legal compliance can, at best, lead to things not being as good as they could be – moral mediocracy.

Value-based approaches

The aim of value-based systems is to provide organizational members with the guidance and support they need in order to exercise internal control and engage in responsible conduct. This is very different to the compliance-based approaches, which aim to control people's behaviour by requiring them to comply with externally imposed rules.

A starting point is the identification of the kind of ethical guidance organizational members might need. This will be related, but not confined, to risk-sensitive processes and risk-sensitive roles. The discovery process might not require the kind of top-down risk analysis associated with the compliance-based approach. An alternative is a more bottom-up process to identify and analyse 'ethical dilemmas'. Maesschalck and Bertok (2009) define ethical dilemmas as situations where whatever one does will involve moral cost. Dilemmas arise in situations where values and norms are at stake because choices have to be made between different courses of action, and where choice is difficult because good ethical reasons may be identified to justify most of the available options.

Value-based approaches are not prescriptive and designed around *codes of conduct*, which specify how people should behave. A core element of the values-based approach is a *code of ethics* based on a set of values that provide a guiding framework people can use when thinking how to conduct themselves. In some organizations, senior managers attempt to define the organization's values but, as demonstrated by Example 19.3, identifying values can be a bottom-up process. Hammersmith Hospital did it this way using appreciative inquiry (appreciative inquiry is discussed in Chapter 13).

EXAMPLE 19.3 Using appreciative inquiry to clarify values at Hammersmith Hospital, London

The chief executive wanted to create a vision for the future and develop a clear strategy based on the values of the organization. The problem was that nobody knew what the values were. It is not unusual in this kind of situation for the top team to get together and come up with a list of values they think should be part of the organization's culture, but this approach provides no guarantee that the values will be owned by employees across the organization. The new head of organization development persuaded the chief executive to conduct a study to find out what members of the organization actually valued. They did this using appreciative inquiry.

A steering group was established to design the inquiry. It was agreed that exploring what happens when the organization works at its best would provide useful insights into what members valued, and it was decided to do this by inviting people from across the organization to participate in a series of workshops. Thirty 'project champions' were asked to use their personal networks to encourage people to take part. There were some reservations that people might view the inquiry as a bit 'happy-clappy' and that it would not be well received by staff who value a scientific approach to their work, but this was not a problem – 560 people attended 40 workshops.

Members of the organization were trained as internal facilitators to lead the 40 one-hour 'discovery' workshops. Between 12 and 14 people attended each workshop along with two facilitators. Each workshop started with tea and biscuits

to create a relaxed atmosphere while the facilitators explained the purpose of the inquiry and what would happen over the next hour. Everybody was invited to introduce themselves (name and department) but not status. Hospitals can be hierarchical organizations and those leading the inquiry did not want this to get in the way.

Participants were invited to turn to interview the person sitting next to them for 10–15 minutes. Person A interviewed person B about:

- when they had felt most alive, excited or committed about being part of a team or the trust as a whole
- what they valued most about themselves and their work at the trust
- examples of how these values are demonstrated in the way they and others behave at work
- what they would wish for that would improve the way the trust delivered care for patients.

They then switched roles. Change Tool 13.1 provides more details of the interview schedule used in this example.

Following the interviews, participants were asked to make a note of keywords and a brief account of each story and, in the last part of the workshop, they were invited to go round the table and share what they had talked about.

After the workshops, the keywords and stories were typed up and the facilitators were invited to a meeting to review the stories and tease out the main themes. These were recorded on flip charts. Later, Ruth Dunlop, head of leadership and development, and a colleague reviewed the flip charts and distilled four values and associated behaviours. The four values were the centrality of patients, the importance of teamworking in delivering high-quality healthcare, an energized atmosphere, and an emphasis on innovation. These were communicated back to members of the organization at normal team meetings to check that these four values did indeed reflect what staff felt was important. Finally, the values were reported to the top team for endorsement and were then communicated across the whole organization via leaflets, posters and a DVD about the four values for team discussion.

Source: Based on contributions from Ruth Dunlop.



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To be effective, the values underpinning a values-based approach need to permeate all aspects of organizational life, ranging from how individuals conduct themselves to the crafting of management policies and the development of organization strategies. Epley and Amit (2019) suggest this can be achieved when people are routinely triggered to think ‘Is this right?’ rather than just ‘Is it legal?’ A well-crafted *mission statement* can help to achieve this because leaders and others can refer to it when creating any new initiatives or when relating with colleagues or external stakeholders such as customers, suppliers or members of the wider community. They point to the US clothing company Patagonia’s mission statement as an example of one that is especially well crafted and clearly communicates what the company stands for: ‘Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.’ However, even the best crafted mission statement will have little impact if those at the top fail to demonstrate their commitment. Others will quickly detect any discrepancies between lofty declarations and what senior managers actually do.

Triggering ethical thinking and promoting ethical practice can involve more than high-level mission statements. Epley and Amit (2019) refer to many ways of nudging people into behaving responsibly. They argue that behaviour is guided by what comes immediately to mind and that these thoughts can be influenced by the way we manage the context in which people work. For example, they refer to an experiment that showed that people were more likely to tell the truth when an

honour code (signalling expected standards of integrity) was located at the beginning of a form rather than at the end.

There are many opportunities for building integrity into an organization's systems. For example, when recruiting new staff, the information candidates receive about the organization and application forms might include information that highlights the organization's values. During the selection process, candidates might be alerted to the importance given to ethical practice by being asked to talk about how they might resolve certain dilemmas, such as what they might do if they discovered an unsuspecting customer had been overcharged at a time when temporary cash flow problems were forcing the organization to contemplate staff cuts, or how they might respond if they had to decide which of their staff should be laid off following the cancellation of an anticipated contract. Including integrity as a criterion for performance evaluation and promotion will also give a clear signal to everybody that values are important.

The application of core values and norms into everyday practice can be encouraged by including integrity as an item on the agenda of appropriate meetings. Most agendas include items relating to efficiencies, effectiveness and contributions to the bottom line but, often, insufficient attention is given to integrity and responsible behaviour. All those attending the meeting, as a collective, might be encouraged to reflect on the ethics of their management practice, for example: Are they behaving responsibly in the way they source components or raw materials? Are they paying sufficient attention to health and safety matters? Are they imposing unnecessary pressures on colleagues? Individual attendees might also receive guidance about how they might resolve some of the dilemmas confronting them.

Another way of promoting responsible behaviour is to invite organizational members to participate in training and development activities. Inevitably, these activities will involve the provision of some information about the organization's code of ethics but, unlike much of the training associated with compliance-based approaches, they are likely to be more participative and involve group discussions. Typically, these will be led by a facilitator who might introduce cases for debate or invite participants to volunteer some of the ethical dilemmas they have experienced or anticipate encountering for discussion by the group.

Epley and Amit (2019, p. 148) recognize the importance of 'the tone at the top', reflected by the organization's mission statement and by what senior managers say and do, but they identify the 'tone in the middle' as the most significant driver of employee behaviour. They observe that: 'Good leaders produce good followers; but if employees in the middle of the organization are surrounded by co-workers who are lying, cheating, or stealing, they will most likely do the same, regardless of what their bosses say.' This emphasizes the importance of selecting good leaders and avoiding those with the destructive tendencies referred to in Chapter 16. It is also important to identify those leaders who exemplify important values and norms and put the mission statement into practice (people who Epley and Amit refer to as 'ethical beacons'), and raise their profile so that they can inspire and encourage others. One way is to allocate them as mentors to rising stars in order to multiply their impact. Another might be to appoint them as coaches for key people who are making an important contribution but who could benefit from some guidance and support.

A COMBINED INTEGRITY MANAGEMENT FRAMEWORK

Tremblay et al. (2017) observe that there is a growing consensus that the efficient management of ethics relies on both the compliance and values-based approaches used in a complementary fashion to strike an appropriate balance. As noted above, the compliance-based approach has some limitations, but so does the values-based approach. Tremblay et al. (2017) suggest that a values-based approach, used in isolation, would mean that an organization would have to rely on the goodwill of its members and the assumption that everyone is fundamentally ethical. They point to Cooper (1998), who asserts

that the challenge is to combine these two approaches into a framework that will achieve the most responsible conduct within the given constraints of time, effort and human nature.

Maesschalck and Bertok (2009) argue that the rules-based (compliance) component of a balanced approach will provide an essential legal framework and provide the ‘teeth’ of the system that may be essential to ensure minimal ethical behaviour, but they go on to assert that the values-based element will ensure that the organization will be more ambitious than this minimum goal of avoiding integrity violations. Their views underpin the framework developed by the Organisation for Economic Co-operation and Development (an intergovernmental organization with 37 member countries) to promote integrity management in public sector organizations.

The importance of the organization’s culture

The most effective way of encouraging organizational members, at all levels, to embrace ethical practices is to create an organization-wide culture and develop a social consensus that promotes ethical values, leadership styles and work practices, supported by an integrated integrity management framework. Uber, one of the most effective disrupters in recent times, illustrates what can go wrong when a company’s culture does not support responsible management (Example 19.4).

EXAMPLE 19.4 Uber’s damaging culture

Uber’s mission is to make transportation as reliable as running water, everywhere for everyone. Its core business involves connecting freelance drivers with customers who use a location-based app to hire rides on demand. They can request a standard or luxury vehicle, or they can cut costs by ride-sharing with other customers making similar journeys. Uber has also expanded into new areas, including the delivery of meals from participating restaurants and package delivery, and it has plans to use self-driving cars. Uber has expanded rapidly, operates in 600 cities around the world, evidence that it is providing services valued by customers.

But other stakeholders have not been served so well. Employees describe an aggressive, unrestrained workplace in which employees are pitted against each other and a blind eye is turned to infractions by top performers, and the top priority is achieving growth and revenue targets (Isaacs, 2017).

The company has poor relationships with regulators in many countries, in part because of Greyball, a software programme it used to deceive law enforcement officials in cities where its service violated regulations (Wong, 2017a). Greyball collected data that enabled Uber to identify and tag law enforcement officers and frustrate their attempts to hail rides from Uber drivers.

After a series of scandals, including 200 cases of employees being harassed and bullied, the mishandling of the medical records of a woman raped by an Uber driver (Wong, 2017b) and the alleged theft of intellectual property relating to self-driving cars, the company appointed former US attorney Eric Holder and his colleague Tammy Albarran to investigate its own culture.

One of Holder and Albarran’s key findings was that Uber’s values had ‘been used to justify poor behaviour’, and they recommended that the company should ‘eliminate’ or ‘reformulate’ them (Hook, 2017). Holder and Albarran focused on 4 of the company’s 14 values that needed to be changed. For example, ‘Let builders build’ was a value that enabled frontline managers to exploit business opportunities. It was very effective early on, but as the company grew it led to a lack of oversight. This lack of oversight was especially damaging when set alongside other values targeted by Holder and Albarran, such as ‘always hustling’, ‘meritocracy and toe-stepping’ and ‘principled confrontation’.

While Uber’s 14 corporate values helped it to grow into one of the most valuable startups in the world, it also promoted a win-at-all-costs mentality that encouraged a range of unethical practices.

This example illustrates the important role that leaders need to play in creating and fostering a corporate culture that promotes ethical practice. They need to lead by example.

✓ EXERCISE 19.1 Revisit Case Study 18.1

Now that you have read Chapters 18 and 19, revisit Case Study 18.1, Patient care at the Mid Staffordshire hospitals. What went wrong at Mid Staffordshire hospitals and what could have been done to promote responsible management and avoid the mistakes that were made?

✓ EXERCISE 19.2 The effect of context on your behaviour at work

Reflect on your own experience of managing change at work or elsewhere. Can you identify any circumstances where contextual factors, such as proximity, the magnitude of consequences, pressure to comply with the demands of powerful others or the level of social consensus, have persuaded you to fall short of your own ethical standards?

✓ EXERCISE 19.3 Can circumstances ever justify what many might define as unethical practice?

Review the content of this chapter and consider:

- Can it ever be right for a manager employed by a multinational company to offer bribes when working in a country where this is a common practice?
- Are there any circumstances where a manager should persuade others to behave in ways that could do harm to others?

SUMMARY

This chapter examines some of the contextual factors that can affect the implementation of ethical practice, reports some of the consequences of irresponsible and responsible behaviour, and identifies some of the practical measures that can promote responsible behaviour at every level in an organization.

While individual factors, such as personality traits, motives and values, affect a leader's intention to engage in socially responsible behaviours, the organizational and wider social context within which the individual operates will affect whether or not these good intentions will be translated into responsible behaviour. Several contextual factors are discussed, including proximity, the magnitude of consequences, pressure to comply with the demands of powerful others, and the level of social consensus.

The chapter presents a number of examples that illustrate the consequences of irresponsible behaviour and summarizes some of the research findings on the relationship between responsible behaviour and financial and other measures of performance.

The chapter concludes with an overview of some of the measures that can promote responsible behaviour in organizations, examines compliance-based and values-based approaches and highlights the importance of promoting an organization-wide culture and developing a social consensus that promotes ethical values, leadership styles and work practices.



COMMUNICATING CHANGE

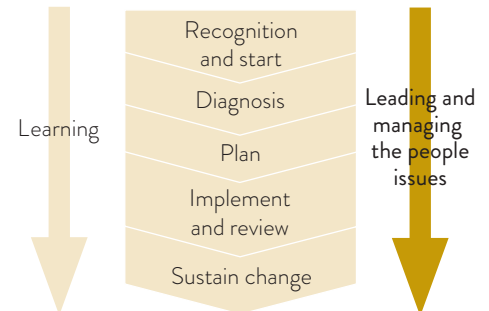
LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize the role communication plays in change management.
2. Explain the importance of developing a coherent change communication strategy.
3. Recognize the role of discovery, creation and assessment in the formulation of a communication strategy.
4. Describe the benefits of two-way versus one-way communication.
5. Manage the factors that contribute to organizational silence.
6. Select effective channels for communicating about change.
7. Critically assess the costs and benefits of different communication strategies.

Communication plays an important role in all the ‘people issues’ discussed in Part V of this book, such as leading, managing stakeholders, motivating and supporting others. For example, leaders need to be effective communicators because, among other things, they have to convey a compelling vision of a better future, inspire and motivate others to implement the changes, align their efforts by communicating a shared understanding of what needs to be done, and provide the feedback required to sustain the change.

We sometimes fail to give sufficient attention to many of the factors that can affect the quality of communication. Before reading you, might find it helpful to consider whether you agree with the following statements. Are the answers obvious and do you think everybody will share your opinion? If you have the opportunity, check out how others have responded and consider the arguments that support their answers.



Do you agree with the following?	Yes	No	It depends
Two-way communication is always more effective than one-way communication			
Gatekeepers, those who are in a position to interpret and screen information before passing it on, can do more harm than good			
Centralized decision making improves the quality of communication			
The most effective communication strategy is to listen carefully to the concerns of those who might be affected by a change and then tailor all messages to address these concerns			
Transparency is not always a good thing. It can be dangerous to share too much information about a change			
You should always make time, even when pressed to deliver a change quickly, to think about the situation and develop a bespoke communication strategy			

This chapter explores the value of a clear communication strategy and examines some of the issues that need to be considered when formulating a coherent approach to communicating change. It also examines some of the features of communication networks, such as directionality, role, content and channels, explores some of the factors that can deprive managers of access to vital information, and considers how change communication can affect perceptions of fairness and justice.

Case Study 20.1 illustrates how inattention to communication issues can disrupt the best laid plans for change.

CASE STUDY 20.1 Connect2

Connect2 (as it will be referred to here) was an advertising agency located in Sydney, Australia. It was founded by a talented and ambitious graduate who successfully expanded the business over a 10-year period from an original client base of 1 to 45. The business focused on investor relations and developed a strong reputation for designing and producing annual and interim reports. The production process, from receipt of the client's brief to delivery of the printed report, was clear, simple and worked effectively. Project managers were good at developing and maintaining close relations with clients and always ensured that clients' expectations were met and, where possible, exceeded. The business employed 27 staff who worked well together as a tightly knit group.

While the owner ran a tight ship and had his finger on the pulse of every project, he was approachable and did not micromanage. He led from behind and did everything he could to empower his staff to act in the best interests of Connect2 and its clients. Employees enjoyed their work and, when required, were happy to put in extra hours to meet tight deadlines.

Following the onset of a debilitating health problem, the owner was persuaded to sell the company to two experienced businesspeople. The people who worked for Connect2 expected the new owners to make changes. Most were prepared for this but some were concerned that they could lose out and even lose their jobs. Much of this early anxiety was allayed when the new owners told them there would be no redundancies and they were intending to expand the business. For a few weeks, nothing seemed to change and the new owners said little about their plans. After a while, this lack of information became a new source of concern.

Behind the scenes, however, the new owners were busy. Their vision was to grow the business into a media powerhouse. They were in the process of acquiring two other companies, one a successful public relations (PR) agency and the other a video production company, and their intention was to merge all three into a single organization offering a wide range of advertising, marketing and PR services. Their first step was to expand Connect2 to provide the core management infrastructure for the new company. They hired eight new business development managers to work on expanding the client base and appointed two new managers to functional roles, one to head finance and the other to head human resources. They also had plans to appoint a creative director.

Before the negotiations to acquire the PR and video production companies were finalized, the new owners of Connect2 employed the services of a consultant to help them interview candidates for the new business development and functional management roles and they invited her to facilitate an intensive, one-week induction for the newly appointed staff. It was only then that the two most senior Connect2 project managers were briefed on the new developments and tasked with familiarizing the newcomers with the company's current processes. Soon after their induction, the business development managers, who were highly incentivized, began to visit potential clients to seek new business.

It was at this point that things began to go wrong. The changes had not been properly communicated to Connect2 staff and they had not been given any opportunity to comment on them. Consequently, the owners were taken by surprise when they discovered that existing staff did not have the skills or experience they required to deliver the new services that were to be provided to new clients. They were also unaware that the company's existing business processes were unable to accommodate the new volumes of work that were anticipated.

Another problem was that the new owners had done little to facilitate communication between new and existing staff, and this resulted in misunderstandings about roles and responsibilities. The business development managers expected the



project managers to assume responsibility for processing all the new work they brought in without checking that the project managers had the time or other resources to cope with this additional work. They also failed to recognize that, historically, part of the project managers' role had involved managing relationships with the company's existing clients. Thus, when the business development managers visited existing clients to sell new services without informing the respective project managers, this generated conflicts and bad feelings.

There was also little communication with existing clients or suppliers about the changes. Existing clients were confused about who was managing their accounts and felt less confident about giving their business to Connect2. Nobody had taken the time to reassure suppliers that Connect2 wanted to retain their services or to explore opportunities of securing better terms if Connect2 increased their business with them.

Within the company, the staff who had been with Connect2 before it had been sold were unhappy because the old closely knit culture, clear sense of direction and tried-and-tested processes had given way to confusion about the company's goals, a lack of clarity regarding roles, responsibilities and reporting relationships, and frustration that their efforts were undermined by business processes that were no longer fit for purpose. Even when they were motivated to do what they could to satisfy clients, there was little support for initiative taking. Morale plummeted and commitment evaporated. It was not long before the two senior project managers resigned and took some of Connect2's long-standing clients with them. Key staff in the editorial and other departments also resigned, further undermining the effectiveness of some key processes, and the new business development managers were unhappy because they had to spend more time on site managing some of their own projects in order to deliver promised outcomes to clients.

At this point, the purchase of the PR company was finalized but morale was so low within Connect2 that attempts to merge the two companies failed and they had to be managed as two separate businesses. Plans to purchase the video production company were put on hold. A year later, the PR company was sold and recently Connect2 ceased trading.

- 1. Identify and list the key stakeholders that the new owners of Connect2 needed to take into account when communicating about the change.**
- 2. Consider whether the new owners gave proper attention to these stakeholders. Were any neglected?**

Source: Based on contributions from Jolene Roelofse.

THE NEED FOR A COMMUNICATION STRATEGY

In the Connect2 case, the new owners appeared to focus most of their attention on communicating with each other and the new staff they had recruited, and gave very little attention to communicating with existing staff, clients or suppliers. This was the result of a common problem: the failure to develop a coherent change communication strategy. In many cases, leaders act on impulse and interact with those who seem important at the time, without thinking through how the way they communicate could affect the outcome of the change.

Clampitt et al. (2000) observe that implicit communication strategies often emerge without much conscious thought. For example, those leading change can:

- Communicate about anything, but, because of time constraints and perceptions about the sensitivity of certain pieces of information, they cannot communicate about everything, so, implicitly or explicitly, they make choices about communication content. Ideally, these choices will be informed by a well-articulated set of communication goals, but all too often they are not.
- Unconsciously act in ways that impact on the shape of communication networks. They may communicate with some organizational members but not with others. This may be for good reason or it may be simply because they are co-located with some colleagues, and frequently have the opportunity to exchange ideas with them, but rarely communicate with others who work on a different floor or in another building. When everybody meets together, those who are not co-located with the leaders may recognize that others are better informed, and they might form the opinion that this is because they are members of an ingroup from which they have been deliberately excluded. When leaders act in ways that create this impression, they can unintentionally generate negative feelings that undermine the motivation to support a change.

These difficulties can be minimized if leaders give more attention to developing a well-thought-out strategy for communicating the change. Kotter (1995), writing about the importance of communicating a compelling vision, asserts that in many change programmes, this is undercommunicated by a factor of 10. He also observes that communicating a vision involves more than the spoken and written word. Organizational members, and other stakeholders, observe those responsible for managing the change for indications of their commitment. It is important, therefore, that leaders ‘walk the talk’ and communicate their enthusiasm for the vision by example.

Developing a communication strategy

Clampitt et al. (2000) argue that an effective way of developing a communication strategy is to follow a three-step process that involves discovery, creation and assessment:

1. *Discovery*: involves studying the situation, discerning what the critical issues are and establishing a set of clear communication goals:
 - *Studying the situation* is an essential first step that involves identifying the fundamental issues that need to be taken into account. For example, what are the different constituencies in the target department, organization or transorganization system? Do they have shared or different priorities, similar or distinct cultures, or distinct work practices? There is no universal blueprint for this discovery process, so it can be useful to cast the net as wide as possible to ensure that all relevant issues are uncovered.
 - *Discerning which of these issues are important* and require most attention can be relatively straightforward in some situations but much more difficult in others. It might, for instance, include establishing:
 - the identity of the most powerful stakeholders who could affect the outcome of the change
 - the information that some individuals or constituencies have that others might require
 - the issues that might need to be pushed, such as a redefinition of priorities or a readjustment of timescales.
 - *Establishing a set of communication goals* that address these issues is the final task in this phase of the process and it lays the foundation for the next step.
2. *Creation*: This involves two essential activities. The first centres on developing and targeting communication messages and paying attention to issues discussed below, such as directionality, role relationships and the selection of appropriate communication channels. The second activity, when the essential elements of the communication strategy have been brought together, is implementation.
3. *Assessment*: This is concerned with assessing whether the communication strategy is being implemented as intended and whether it is having the anticipated effect. All kinds of factors can intervene to disrupt the implementation of even the best planned strategies, but careful attention to assessing how well the strategy is working will point to possibilities for improvement.

When developing a communication strategy, leaders might find it helpful to consider the importance of factors such as directionality, role, content and channels.

DIRECTIONALITY

The management of change is often experienced as a top-down process, with those responsible for managing the change informing others lower down the organization about the need for change, what is going to happen and what is required of them. Allen et al. (2007) argue that the reason why many organizations encounter difficulties in reducing employee uncertainty during change is because of this one-way, top-down pattern of communication. Effective change communication is two-way.

Upward communication is essential because it provides change managers with valuable information that can help them clarify the need for change and, later, help them develop and implement plans for change. Beer (2001) identifies the poor quality of upward communication as one of his six 'silent killers' that block change and learning.

Directionality and content

Senders transmitting messages up the organization hierarchy often bias messages in favour of information that reflects favourably on their performance, or that of their unit. Where possible, they screen out information that reflects unfavourably on them. Consequently, people further up the organization may not receive all the information they need to understand what is going on.

Senders transmitting messages down the organization have a tendency to screen out any information they perceive to be not directly relevant to subordinates' roles. This 'need-to-know' attitude can lead to problems when change managers fail to pass on information that might have helped others to understand the need for change, or feel more involved in the change process (see the discussion of the 'withhold and uphold' communication strategy below).

Directionality and accuracy, confidence and time

Even when those leading the change have every intention of passing on all relevant information, if they transmit this information top down in a one-way direction, it may well be misunderstood. Seventy years ago, Leavitt and Mueller (1951) conducted a now-classic experiment to test the hypothesis that feedback increases the accuracy of communication. One person (the leader) communicated geometrical patterns (see sample in Figure 20.1) to a number of recipients who were told that the experiment was to test their ability to understand instructions. They were instructed to draw the pattern and to work as rapidly as possible. The experiment was repeated to test four conditions of feedback, ranging from 'zero feedback' to 'free feedback', in which recipients were permitted to ask questions, interrupt and make statements.

The results showed that the accuracy of recipients' diagrams increased steadily from the zero feedback to the free feedback conditions, indicating that two-way communication produces better understanding of the message than one-way communication. They also showed that recipients were more confident they had understood the message the more they were able to engage with the sender, but two-way communication, when recipients had more freedom to interact with the sender, took much longer than one-way communication. Another interesting observation was that senders felt more exposed when engaging in two-way communication. In the free feedback condition, some recipients behaved in a hostile or aggressive way, making comments such as 'That's impossible', 'Are you purposely trying to foul me up', and 'You said left, it has to be right.'

While two-way communication has many advantages, leaders may conclude that, in some circumstances, it is not always better than one-way communication. Leaders may opt for two-way communication when accuracy is important, they want others to have confidence they understand the issues being communicated, and time is not an issue. But one-way communication might be preferred when accurate understanding is not judged to be a critical requirement, time is limited, or the leader wants to avoid being challenged in public.

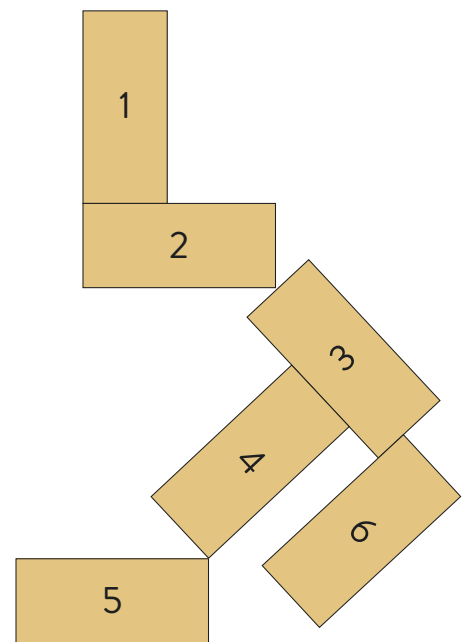


Figure 20.1 Sample problem

Source: H.J. Leavitt and R.A. Mueller, 'Some effects of feedback on communication', Figure 1A, 'Sample of problems used in exp. I', *Human Relations*, 4(4), p. 403, 1951, SAGE Publications, <https://doi.org/10.1177/001872675100400406>.

Lateral communication and performance

The quality of lateral communication can also have a powerful impact on an organization's level of performance and its ability to innovate and change. Orlikowski (1996), Brown and Eisenhardt (1997) and Tjosvold (1998) all argue that intense and open lateral communication is an essential requirement for continuous improvement. This information sharing contributes to the identification of issues and the development of new possibilities. Hargie and Tourish (2000, p. 7) assert that 'when groups work in isolation, with people sharing minimal information ... the locomotive of change slows to a crawl'. They report finding that poor interdepartmental communication is linked to feelings of isolation and dissatisfaction and low levels of involvement in the decision-making process.

Organizational silence and a lack of upward communication

Morrison and Milliken (2000) argue that many organizations are caught in an apparent paradox, in which most employees know the truth about certain issues and problems, but are afraid to voice that truth to their superiors. They refer to the widespread withholding of opinions and concerns as 'organizational silence', and assert that it can be a major barrier to organizational change and development. In Chapter 5, the importance of ensuring that multiple and divergent views contribute to the decision-making process was highlighted in the context of formulating the agenda for change, but Morrison and Milliken refer to several studies indicating that, in practice, employees often feel compelled to remain silent and refrain from voicing their views (for example Moskal, 1991; Ryan and Oestreich, 1991). The dynamics that limit upward communication and give rise to organizational silence are summarized in Figure 20.2.

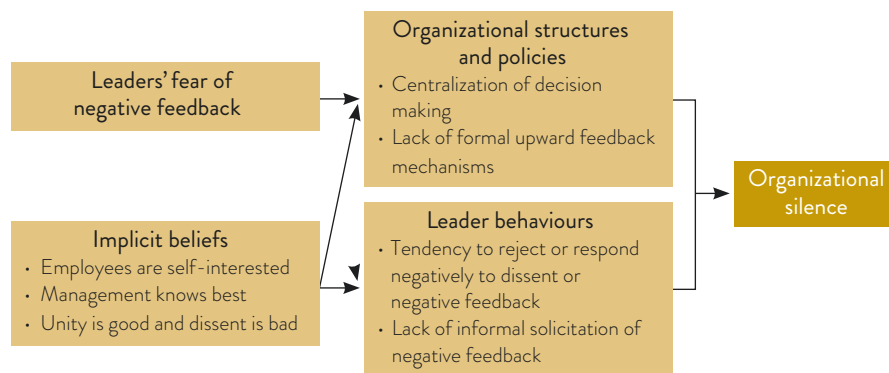


Figure 20.2 Dynamics giving rise to organizational silence

Source: Republished with permission of the Academy of Management, from The Academy of Management Review, 'Organizational silence: A barrier to change and development in a pluralistic world', E.W. Morrison and F.J. Milliken, 25(4), 2000, p. 709; permission conveyed through Copyright Clearance Centre, Inc.

Morrison and Milliken (2000) argue that in organizations where the dominant ideology reflects the belief that employees are self-interested, leaders know best and disagreement is bad, this will give rise to structures, policies and leader behaviours that create an environment that discourages upward communication. Examples of structures and policies that inhibit upward communication include:

- centralized decision-making procedures that exclude most employees
- an absence of formal feedback mechanisms for soliciting employee feedback on decisions after they have been made.

Examples of leader behaviours that have a similar effect include:

- a tendency to reject employees' concerns about a proposed change, because these concerns are viewed as 'resistance' motivated by self-interest, rather than a true concern that the change may be bad for the organization (see Example 16.4)
- a general unwillingness on the part of managers to seek informal feedback from subordinates, for reasons that include those discussed above.

Morrison and Milliken (2000) point out that these barriers to upward communication can exist at many different levels in the organization. While it may only be top management that can impose company-wide structures and policies that foster organizational silence, leaders at all levels can discourage upward communication by the way they design the part of the organization they are responsible for, and by reacting negatively to unsolicited inputs from subordinates and failing to seek feedback from employees on issues that affect performance. However, even when middle managers do not share the implicit beliefs held by their superiors, top management attitudes can still encourage leaders down the line and many other supervisors to behave in ways that foster silence. For example, leaders down the line may choose to respond to senior managers' lack of openness to dissenting views by filtering out some of the information they receive from their subordinates before passing it up the organization. In turn, their subordinates notice this apparent disregard for their views and respond by not voicing their own concerns and those reported to them by their subordinates. In this way, the conditions that encourage a climate of silence trickle down the organization.

The implications of organizational silence

Organizational silence can compromise decision making and elicit undesirable reactions from employees. It can deprive decision makers of the opportunity to consider alternative perspectives and conflicting viewpoints. Evidence shows that this can adversely affect creativity and undermine the quality of decision making. Also, blocking negative feedback can inhibit organizational learning, because it affects the ability of managers to detect and correct the causes of poor performance. Morrison and Milliken (2000) suggest that decision makers may not receive important information because, as noted above, employees only pass on the information they think their managers want to hear. Milliken et al. (2003) echo this point when they observe that people tend to be silent about bad news but more willing to pass on good news. Consequently, the information that flows up the organization can convey an 'overly rosy' picture, giving senior managers a false impression of how things are.

Leaders not only need to be receptive to negative feedback but also need to seek it out. As noted above, it is all too easy to dismiss negative feedback as disruptive resistance to change rather than potentially useful feedback. In some cases, leaders punish those who provide negative feedback. Several studies and reports on the performance of healthcare organizations around the world offer convincing evidence of managers' unhelpful response when whistleblowers report problems. Pope (2019) draws on the concept of organizational silence to offer a damning critique of communication in the NHS. Francis (2015, p. 9) reviewed 'honest reporting in the NHS' and found that people were reluctant to speak up for fear of repercussions and also because they felt it would be futile 'because nothing would be done about it'. McDonald and Ahern (2000) also describe how nurses in Western Australia experienced verbal and written reprimands, demotion, suspension and referral to a psychiatrist after reporting examples of misconduct towards patients.

The conditions that foster organizational silence can have destructive outcomes for employees, with knock-on effects for the organization:

- Employees who have been ignored, abused or sanctioned feel undervalued, which can affect their commitment and lead to lower motivation, dissatisfaction, psychological withdrawal or the decision to quit.

- When discouraged from speaking up, employees may feel that they lack sufficient control over their working environment. This can trigger attempts to regain some control by acting in ways that are destructive to the organization, including, in some extreme cases, engaging in sabotage.

Morrison and Milliken (2000) argue that when top management adheres to the assumptions that foster silence, it makes it difficult to respond to the diversity of values, beliefs and other characteristics that are features of pluralistic organizations. The more these differences 'pull' the organization in divergent directions, the more senior managers may 'push' against these forces because they view difference as a threat that has to be suppressed.

ROLE

The communication of change can also be affected by the roles organizational members occupy. The nature of an 'inter-role relationship' is important; a person might communicate certain things to a colleague that they would not communicate to an external consultant, an auditor, a member of another department, their boss, a subordinate or a customer. This issue will be discussed in more detail when the effect of trust and power on the quality of interpersonal relationships is considered.

Isolates

The requirements of a role can be an important determinant of whether the role occupant will be an 'isolate' or a 'participant' in the organization's affairs. Some roles are potentially more isolating than others: a finance officer may be better networked within the organization than a salesperson responsible for a remote territory; an employee working at a given point on an assembly line may have relatively few opportunities to communicate with others compared with somebody working in an open-plan office. Some of the interventions considered in Chapter 28 are designed to create opportunities for dialogue, sharing and the provision of feedback, which are so important in situations characterized by uncertainty and change. When planning to communicate with people about a proposed change, it is important to take account of those who occupy isolated roles. People who feel they have been neglected or excluded are more likely to be alienated than those who feel they are in a position to participate in the change.

Boundary spanners

Some members of the organization occupy 'boundary-spanning roles' that enable them to transfer information from one constituency to another. For example, people in sales, customer support and product development occupy roles that link the organization with the wider environment. Within the organization, there are also roles that straddle the boundaries between internal constituencies. The occupants of these boundary-spanning roles may have access to important information that could be used to identify emerging problems or opportunities or provide feedback on how the change is affecting different parts of the organization. Duchek (2015), based on evidence collected from two German engineering firms, identified boundary spanners and gatekeepers as important facilitators of cross-functional communication and cooperation. However, their efforts to collect and transmit information are not always successful.

MacDonald (1995) found that critical information is often imported into organizations (or departments within organizations) through informal and individual contacts and that the boundary spanners who acquire this information may not be the people who can use it to secure change. They may have to pass it on to others who are in a better position to use it. However, these 'others' may not recognize the importance of the information or may receive a message that is different from that which the originator of the message intended to convey. Duchek (2015) suggests ways of formalizing this process to improve the transmission of information and the organization's absorptive capacity.

Gatekeepers

Distortion can occur because information is passed on to others by 'gatekeepers.' Gatekeepers are those who are in a position to interpret and screen information before transmitting it to others. Almost everybody in the organization is a gatekeeper to some extent, but some roles offer their occupants considerable power to control the content and timing of the information that is passed on to decision makers. Change managers need to be aware of who controls the flows of information that are important to them. One way of reducing dependence on some gatekeepers is to build an element of redundancy into the communication network by establishing additional sources of information, thereby reducing recipients' dependence on a single source (gatekeeper) who is in a position to filter or delay the onward transmission of information.

Playmakers

In Chapter 5, three different kinds of playmaker roles are discussed. Pitt et al. (2002) borrowed the term 'playmaker' from football, where it refers to the restless, energetic, midfield role that links play, energizes the team and 'makes things happen.' They argue that playmakers are the individuals who are motivated to seek out opinion from those who are close to the realities of the operating environment and pass it on to those who are in a position to formulate the change agenda.

The effect of trust on the quality of interpersonal communication

Trust can have an important effect on the quality of the information that is exchanged, especially between people who occupy different roles, for example between managers leading a change and the recipients of the change. Lines et al. (2005) argue that whether change agents gain access to the knowledge and creative thinking they need to solve problems depends largely on how much people trust them. O'Reilly and Pondy (1979) refer to studies that show that a lack of trust is associated with a tendency for senders to withhold unfavourable but relevant information, while passing on favourable but irrelevant information. There is also evidence that senders are guarded in what they are prepared to share with those who are able to influence what happens to them.

Change managers often have to seek out information from others (see Chapter 16), but this is not always an easy task. Interpersonal interactions are complex social encounters in which the behaviour of each party is influenced by the other. An often-used model of information gathering presents the process in terms of an information seeker (change manager) getting all the information they require from respondents (organizational members), which is an oversimplification because it fails to take full account of the interactive nature of the encounter.

Organizational members are aware that change managers are observing what they say and do and may be making judgements about them and their future role. Consequently, they may not openly and honestly answer all the questions they are asked. They may attempt to manage the way they respond so as to maximize their personal benefit from the interaction rather than help those leading the change achieve their purpose.

A better representation of the interaction between change managers and organizational members is illustrated in [Figure 20.3](#). Change managers are likely to structure the situation and behave in ways they feel will best project their definition of the purpose of the encounter and the role they want to assume in the interaction. This behaviour not only says a lot about how change managers wish to be seen, but also about their evaluation of other organizational members and the role they are expected to play. Change managers attempt to influence others' interpretation of the situation and to focus their attention on those issues they (the change managers) regard as important, and much of what takes place at this stage involves this type of cognitive scene setting.

At stage 2 in [Figure 20.3](#), organizational members seek to understand what it is that change managers are projecting and what implications this has for them. Do the change managers appear



Figure 20.3 The interaction between change agents and organizational members

Photo source: Getty Images/MoMo Productions; Getty Images/Klaus Vedfelt

to see the encounter as an information-gathering exercise designed to provide them with the information they need to determine what has to be changed? Or do they see it as the first step towards involving organizational members in the management of the change process?

Change managers may attempt to behave in a way that gives others the impression they are committed to a shared approach to managing the change; however, they may actually 'give off' verbal and nonverbal signals that contradict this intended impression. Thus, as the interaction progresses through stages 3 and 4, organizational members may decide to cooperate and give change managers the information they are seeking, or they may decide to distort or withhold information until they are more confident about the change managers' intentions. At stage 3, organizational members have to decide, on the basis of their interpretation of the situation, how to respond to change managers. Mangham (1978) observes that people not only act but react to their own actions on the basis of the actual or anticipated reaction of others. They can anticipate others' reactions through a process of mental simulation or rehearsal.

Once organizational members have decided what to do and have responded to the change managers' initial behaviour, the situation changes. At stage 4, both parties are faced with a situation that includes the most recent behaviour of organizational members. If change managers failed to make their purpose explicit (at stage 1), organizational members may misinterpret their behaviour and act in ways that change managers either did not anticipate or feel are inappropriate to the situation.

In stage 5, change managers have to assess this situation and attempt to understand the meaning of organizational members' behaviour. Their interpretation of their response offers a basis for assessing the relevance and validity of any information communicated by them. Good interviewers/information gatherers have the ability to empathize with the other party; they can assume the other's role in the interaction, putting themselves in the other's shoes and replaying in their mind the situation faced by them. This helps them to interpret the other's behaviour, including their answers to questions. Unfortunately, this is a skill that many of those leading change have not developed, so all too often they misinterpret the significance of the other's response to their questioning.

In stage 6, on the basis of their interpretation of the situation, including organizational members' behaviour, change managers can rehearse in their mind possible next moves before deciding what to do and/or say. This then forms part of the unfolding scene to which other organizational members will have to respond, and so the process continues.

The point of this example is that factors such as mutual trust and perceptions of the other's intent will influence how both parties will interpret what they see and hear. It will also influence the quantity and quality of the information that each is prepared to offer. Those leading change need to give careful thought to how others will interpret their actions, as their interpretation will not only affect what they are prepared to communicate, but also how they will behave in response to information passed to them by change managers.

CONTENT

Allen et al. (2007) argue that one reason why many organizations encounter difficulties in reducing employee uncertainty during change is because change managers often focus on providing employees with information regarding strategic issues. They acknowledge this might be important at first but argue that, later in the change process, employee concerns are likely to shift to more personal and job-related issues. The consequence of failing to address personal concerns is illustrated in Example 20.1.

EXAMPLE 20.1 PCBtec

PCBtec (as it will be referred to here) designs and manufactures printed circuit boards for customers in the automotive and aerospace industries. The company's HQ and main manufacturing facility are located near Blois and it has a design team based in Toulouse, France. After a seven-year run of profitable growth, the owners of PCBtec started merger talks with a leading supplier of components to the aerospace industry. Two weeks after the start of talks, the brother of an employee overheard two senior managers talking about the merger when he was on a train travelling from Blois to Paris.

When the employee told his workmates what his brother had overheard, rumours about the merger quickly spread and, before the end of the morning, a colleague confronted their supervisor to demand more information. This was the first she had heard about it so she sought out her manager, who was also surprised by the rumour. He rang his director and the top team quickly recognized that they had to do something about the situation. Their concern was that their automotive sector customers might be worried if they heard the rumour because they might fear that the new merged company would focus on aerospace and cease supplying automotive customers.

A site-wide meeting was called for the end of the day, at which the CEO confirmed that merger talks were in progress but, as yet, nothing had been agreed. He went on to explain how important it was not to unsettle suppliers and customers

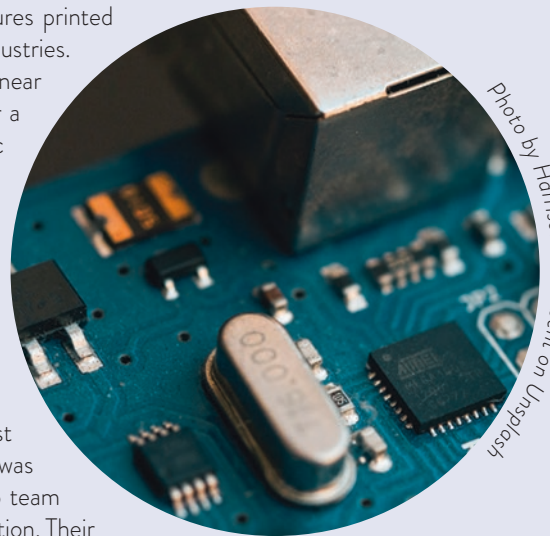


Photo by Harrison Broadbent on Unsplash

and outlined how best they might respond if outsiders enquired about what was happening. The meeting focused on what they could do to help manage the company's external relationships and almost nothing was said about how a merger would affect them personally.

The meeting did little to stop the rumours because people continued to worry about how the merger would affect them. Their main concern was jobs. Everybody was worried, but those who were involved in manufacturing circuit boards for automotive customers feared that this part of the business could be discontinued or sold off and they could be made redundant. They did everything they could to signal their concern but the top team failed to respond until, five months later, all staff were informed, via a short message on the company's intranet, that talks had broken down and the merger was off.

Everybody was relieved but also felt that they had been badly let down by their managers. The way top management had communicated with them about the merger had changed the psychological contract and there had been a significant shift in the company's culture. Before the rumoured merger, most employees identified with the company and believed that it was like a family that looked after its own. They were highly committed and willing to put in the effort required to ensure the company's success. Five months later, this had all changed. Most shared the view that the owners and top managers believed that employees were just hired hands who were expendable whenever things became difficult.

Not long after, the CEO announced that merger talks had been resumed and that a deal had been agreed. He asked for volunteers to join a joint task force to plan the integration of the two companies. Nobody volunteered and departmental managers had to be instructed to nominate individuals.

Managers' apparent disregard for their employees' personal interests seriously undermined their commitment to PCBtec and their motivation to support the management's change agenda. Sometimes, this kind of problem arises not because those leading a change do not care about their staff but because they are too preoccupied with other pressing issues. Developing a change communication strategy can help leaders keep track of all the communication issues they need to attend to.

Unfamiliar content

MacDonald (1995) distinguishes between internal and external information and draws attention to the importance of attending to information from outside the organization and integrating this with the information that is routinely available to organizational members in order to facilitate organizational learning. A common problem, however, is that this external information is often unfamiliar, and responding to it frequently leads to disruption and uncertainty. For example, the European Working Time Directive was incorporated into English law in October 1998 and it was known that it would restrict the number of hours doctors could work, but little was done to accommodate the 48-hour week until it was finally imposed in 2009. It was only then that hospital managers began to realize that it would compromise the quality and continuity of care given to patients and undermine the quality of training given to junior doctors (see Case Study 29.1).

Organizational members tend to prefer the more familiar internal information that is easier to integrate into the mental models they use for making sense of the situation confronting them.

Transparency and open access to information

Being open and giving others full access to all information has been championed by some on the grounds that it can:

- help employees understand the reasons for decisions
- improve perceptions of fairness and justice
- increase buy-in and commitment

- give decision makers access to a wider range of inputs
- make decision makers at every level in the organization more accountable
- enable people working across the organization to coordinate their efforts
- empower those working down the line to make more decisions
- enhance the quality of collective learning by improving access to expertise, experience and stored knowledge.

However, while openness and transparency can be beneficial, being open about everything can lead to unintended negative consequences.

Birkinshaw and Cable (2017) call attention to a ‘dark side’ of transparency. They observe that excessive sharing of information can create problems of information overload, legitimize time-consuming debate, slow decision making and reduce creativity as people fear the watchful eye of their superiors and so self-censor some of their better ideas for fear that they will be misunderstood or criticized (see Research Report 28.1 below). They also draw attention to the possibility of an ‘accountability gap’. Although greater transparency can make decision makers more accountable, they argue that it can also reduce accountability when information ends up in the hands of people who may not use it wisely, or who might ‘weigh in’ without sufficient understanding of the relevant issues or without any responsibility to see things through.

Perceptions of fairness and justice

The content of communications about the change can affect perceptions of fairness and justice that, in turn, will affect how stakeholders will respond to the change. For example, organizational members expect to receive adequate and accurate information in good time before decisions are implemented, thus giving them an opportunity to voice their concerns and have an input to the decision process. If they perceive that the change is being managed in a way that is unfair, this perception may have an adverse effect on their morale, organizational commitment and performance.

Colquitt et al. (2001) identify a number of ways of thinking about organizational justice, which are important to bear in mind when thinking about the content of any communications about the change:

- *Distributive justice*: the equity of outcomes.
- *Procedural justice*: fair process. Disputants may be prepared to give up control of decisions if they feel they have sufficient control over the process used to reach the decision.
- *Informational justice*: the explanations provided to people that convey information about why particular procedures were used or why the outcomes were distributed in a particular fashion. The discussion of realistic merger previews in Chapter 23 provides a useful insight into how the provision of information affects the way people respond to change.
- *Interpersonal justice*: how people are treated by those executing procedures or determining outcomes.

Greenberg (1990) investigated the effect of interpersonal justice and adequate explanations on perceptions of inequity by observing employee theft rates and labour turnover when rates of pay were temporarily cut by 15 per cent. His findings suggest that paying careful attention to the way the content of a communication is presented can have a powerful effect on perceptions of fairness and justice, which in turn affects how employees respond (Research Report 20.1).

RESEARCH REPORT 20.1 Communicating bad news

Greenberg, J. (1990) Employee theft as a reaction to underpayment inequity: The hidden cost of pay cuts, *Journal of Applied Psychology*, 75(5): 561–8.

Participants in the study were employees working for 30 consecutive weeks in three manufacturing plants owned by the same parent company. Following the loss of two large manufacturing contracts, two of the three plants lost work and the company responded by cutting wages. The third plant was unaffected and wage rates remained unchanged:

- *In plant A* (the ‘adequate explanation’ condition), employees were called to a meeting and informed by the company president that their pay was going to be cut by 15 per cent for a period expected to last 10 weeks. They were told that management seriously regretted the need to reduce their pay, but they were taking this action to avoid layoffs, and all plant employees, including managers, would share in the pay cuts. The reasons for the decision were carefully explained and information about cash flows was shared to reassure everybody that the need for pay cuts was only temporary. The meeting lasted 90 minutes and most of the time was given over to answering questions.
- *In plant B* (the ‘inadequate explanation’ condition), the meeting lasted 15 minutes. Employees were informed about the pay cut, that it was expected to last for 10 weeks and was being imposed because of the loss of contracts. There was no expression of apology or remorse and the basis for the decision was not clearly described.
- *In plant C* (the ‘control’ condition), the loss of the contracts had no effect and rates of pay remained unchanged.

Following the pay cuts in plant B, where the explanation had been inadequate, pilfering increased threefold compared to levels of pilfering in the control plant. In plant A, where a full and sensitive explanation had been provided, thefts also increased, but not as much as in plant B. There were, however, significant differences in turnover rates. In plant B, turnover was 23 per cent, whereas in plants A and C, it was 5 per cent or less.

Equity theory posits that motivation is correlated with an individual’s perception of equity and fairness, and the data in Greenberg’s study support the theory’s predictions regarding likely responses to underpayment and demonstrate the mitigating effects of adequate explanations on feelings of inequity.

CHANNEL

Information and meaning can be communicated in many different ways: written communication via hard copy, electronic communication via email, texts, tweets and blogs, videoconferencing, telephone, face-to-face communication on a one-to-one, one-to-group or group-to-group basis and so on.

While organization members may prefer certain channels, and certain forms of communication may have clear advantages in specific circumstances, external factors may limit the freedom to select a particular channel. For example, distance may prohibit face-to-face interaction and time constraints may rule out the use of lengthy meetings. Clampitt et al. (2000) refer to this ‘efficiency/effectiveness’ dilemma. They note that while it may be more *efficient* to send an email to all employees outlining a major change, it may not be the most *effective* way to create employee buy-in.

RELATIONAL CONNECTIONS, BOUNDARY SPANNING AND THE ORGANIZATION’S ABILITY TO COPE WITH CRISES

One of the factors that can help organizations cope with big-bang disruptions is access to information held by individuals and groups within the organization and by sources external to the organization. It is not unusual for relevant, high-quality information to be available within a team, the organization or the wider environment but not accessible to those who can make best use of it.

Carmeli et al.’s (2013) investigation of what makes top management teams resilient highlights the importance of relational connections. They found that where the connections between members of

top teams are characterized by high levels of openness (which enabled members to embrace diverse influences that came from others as opportunities for learning and growth) and generativity (where new things can be learned, new opportunities realized and new insights can originate), teams are better able to access and process information, make sense of emerging issues and see opportunities for effective courses of action.

Formal organizational structures can limit lateral communication, the conditions that promote organizational silence can inhibit the upward flow of information, and the permeability of organizational boundaries can affect access to external information. These factors can inhibit the organization's ability to respond to crises because an effective response often requires interdependent, coordinated and speedy action across various parts of the organization and even across organizations.

Organizational members who are in a position to act as boundary spanners can develop networks that can act as conduits for information transfer, knowledge creation and innovation. According to Marrone (2010), three boundary-spanning activities can promote resilience:

1. *Representation*: persuading other parties of decisions and requesting needed resources.
2. *Coordination*: coordinating work activities with mutually interdependent entities to accomplish individual and joint tasks.
3. *General information search*: gaining access to information and expertise.

Stevenson et al. (2014) studied 47 organizations following the 2010–11 earthquakes in Canterbury (New Zealand) to assess the role of networks in contributing to their immediate response and short-term recovery. They found that interorganization networks were a major factor that affected an organization's ability to survive. They facilitated information sharing, faster and easier access to replacement or supplementary supplies (such as retail stock or damaged computing equipment), and they were also a source of personal support. Eight of the organizations studied reported that they felt they received emotional support from suppliers.

In light of what you have read so far, look again at Case Study 20.1 at the beginning of this chapter and critically review how the new owners of Connect2 went about communicating the change (Exercise 20.1).

✓ EXERCISE 20.1 Did the new owners of Connect2 give sufficient attention to developing a communication strategy?

1. Having reread the Connect2 case at the beginning of this chapter and, with reference to the questions presented below, consider whether the new owners gave sufficient attention to the development, implementation and monitoring of a communication strategy.
 - How well did the new owners study the situation to discern communication issues that required their attention?
 - To what extent did they build on their understanding of the situation to establish communication goals?
 - Did they give sufficient attention to developing a well-thought-out communication strategy?
 - How well did they monitor the effectiveness of their communication of the change?
2. Based on your assessment of how they managed communications, what could they have done differently that might have improved the outcome of the situation?

As noted earlier, the first step in developing a change communication strategy is for those leading the change to study the situation, identify the key issues, and formulate a set of communication goals that will address them. The issues and related communication goals that will be identified as important will vary from situation to situation, but, in the Connect2 case, one issue was the need to assess whether the company could support the envisioned new business streams. Addressing this issue would involve gathering and interpreting information about the capabilities and experience of existing staff and investigating whether the organization's operational infrastructure was able to

cope. To accomplish this goal, the new owners would need to identify and then have conversations with those who could provide the required information. Another issue was the possibility that the planned changes could have an adverse effect on morale and commitment and that this could lead to resistance and the loss of key staff. This points to the importance of listening to the concerns of employees and exploring ways of winning their support. A related goal was the formulation and communication of an inspiring and achievable vision.

With communication goals such as these in mind, leaders can begin to think about developing a communication strategy to support the change.

COMMUNICATION STRATEGIES

The features of communication networks such as directionality and content provide a useful backdrop for comparing the advantages and disadvantages of various communication strategies. On the basis of their experience in several organizations and a review of the literature, Clampitt et al. (2000) identified five archetypal strategies. Sometimes, the communication strategy in any particular setting closely resembles one of these, but sometimes it is a hybrid and includes a blend of elements from more than one. The five archetypal strategies are:

1. *Spray and pray*: Clampitt et al. (2000) use this term to describe a communication strategy that involves showering employees with all kinds of information in the hope they will feel informed and have access to all the information they require. It is based on the assumption that more information equals better communication, which in turn contributes to improved decision making. It is also based on an implicit assumption that all organizational members are able to differentiate between what is significant and what is insignificant.
2. *Tell and sell*: This involves change managers communicating a more limited set of messages they believe address the core issues related to the proposed change. First, they tell employees about these key issues and then sell them the wisdom of their approach to managing them. Clampitt et al. (2000) observe that change managers who adopt this kind of strategy often spend a great deal of time planning sophisticated presentations but devote little time and energy to fostering meaningful dialogue and providing organizational members with the opportunity to provide relevant information or discuss their concerns.
3. *Underscore and explore*: Like the 'tell and sell' approach, this involves focusing attention on a limited set of fundamental issues linked to the change but, unlike that approach, change managers give others the creative freedom they need to explore the implications of these issues. Those who adopt this approach are concerned not only with developing a few core messages but also with listening attentively for potential misunderstandings and unrecognized obstacles.
4. *Identify and reply*: This strategy is different from the first three, in that the primary focus is organizational members' concerns. It is a reactive approach that involves a lot of listening in order to identify and then respond to these concerns. It is essentially directed towards helping employees make sense of the often confusing organizational environment, but it is also attentive to their concerns because it is assumed that organizational members are in the best position to know what the critical issues are. However, this may not always be the case. Clampitt et al. (2000) suggest that often they may not know enough to even ask the right questions.
5. *Withhold and uphold*: This involves withholding information until necessary. When confronted by rumours, change managers uphold the party line. There may well be special circumstances where commercial or other considerations require information to be shared on a need-to-know basis, but there are also change managers whose implicit values are secrecy and control whatever the circumstances. Some of those who adopt this strategy assume that information is power and they are reluctant to share it with anyone. Others assume that most organizational members are not sophisticated enough to grasp the big picture.

The ‘spray and pray’ strategy provides employees with all the information they could possibly desire, while the ‘withhold and uphold’ strategy provides the absolute minimum information. Both strategies can make it difficult for employees to frame and make sense of the intended change and its consequences. The other three strategies pay more attention to prioritizing and managing content to provide guidance for those involved in the change and, to varying degrees, attend to employee concerns. Clampitt et al. (2000) argue that, in most cases, the ‘spray and pray’ and ‘withhold and uphold’ strategies are the least effective and the most effective is ‘underscore and explore’. This is because it incorporates elements of the ‘tell and sell’ strategy and allows change managers to shape the change agenda, and it also incorporates aspects of the ‘identify and reply’ strategy that responds to employees’ concerns.

✓ EXERCISE 20.2 The communication strategy that emerged at Connect2

With reference to the Clampitt et al. (2000) typology of change strategies (presented above), describe the communication strategy that emerged at Connect2 after it was acquired by the new owners. Was it effective?

AUDITING THE EFFECTIVENESS OF THE COMMUNICATION STRATEGY

Hargie and Tourish (2000), like Clampitt et al., recommend the regular auditing of communications. This requires those leading the change to have a clear idea about their communication objectives in order to assess the extent to which they are being achieved. Some of the questions they might need to ask are:

- Who is communicating with whom?
- What issues are they talking about?
- Which issues receive most attention and arouse most anxiety?
- Do people receive all the information they require?
- Do people understand and use the information they receive?
- Do people trust and have confidence in the information they receive?
- From what sources do people prefer to get their information?
- Which channels are most effective?

Often, the discussion of change communication tends to focus exclusively on the ‘what, when, who and how’ of communication from the perspective of the change manager communicating to others, but it is important to note, as discussed earlier in this chapter, that there are also issues associated with how change managers perceive, interpret and use information provided by others.

There are no magic formulae about the ‘what, when, who and how’ of communication that can provide ready answers for all situations. In some circumstances, change agents may advocate a policy of complete openness about all issues to everybody as soon as possible. In other circumstances, information might be highly restricted because it is deemed to be commercially sensitive, or it might be decided that information should not be widely shared until after certain high-level decisions have been made. Counterarguments might focus on the difficulty of keeping the need for change secret and the importance of not losing control of communications to the informal grapevine.

When Maersk Line, the largest container shipping company in the world, launched a major change programme to make the organization more customer-centric (see Example 24.1), those leading the change used a detailed stakeholder analysis to develop a communication plan for all major stakeholder groups. The plan specified responsible parties, the information to be communicated and the timing of communications. Stakeholder analysis and change tools such as the stakeholder grid are discussed in Chapter 17.

Case Study 20.2 provides an opportunity for you to explore the relevance of the ideas discussed in this chapter.

✓ EXERCISE 20.3 Assessing the quality of communications

Think about a recent attempt to introduce and manage change at work, in your university department or elsewhere and reflect on how the quality of communication helped or hindered the change process:

- Did those leading the change communicate effectively to all those involved in or affected by the change?
- If not, to what extent was this related to the factors discussed in this chapter, such as directionality, role, content and channel?
- What do you think the change manager(s) could have done differently that might have improved the quality of communications?

CASE STUDY 20.2 Galaxy

Galaxy (as it will be referred to here) is a German company producing a wide range of heating, air-conditioning, refrigeration, cooking and laundry appliances for home and commercial use. Most of its 30,000 employees are located in the older EU states and the company has an annual turnover of €40 billion. Galaxy has always been focused on making a good return on investments and growing shareholder value and has pursued this goal by prioritizing product innovation, investment in new technology and developing the capability of its staff.

Galaxy has managed to maintain the competitive position of its European manufacturing facilities in the face of growing competition from companies manufacturing in low-cost countries. However, two years ago, the board recognized that this competitive position could not be sustained and that eventually much of its manufacturing capacity would have to be moved to cheaper locations.

Galaxy already has manufacturing facilities in India and China but these were built to produce a new range of products and did not involve the relocation of work from existing plants in Europe. Over the next four years, this situation will change. The company plans to close seven plants in Germany, France, Denmark, Italy and the UK, with the loss of 12,000 jobs, and expand production elsewhere in the world.

The first closure will involve a German plant that produces refrigeration equipment. A new manufacturing facility has been acquired in China and within nine months it will be ready to commence production of a limited range of high-volume products that have few parts and are relatively easy to assemble. As the capability of the Chinese workforce is developed, the full range of products manufactured at the German plant will be relocated, but it will be two years before all production, including the more complex, high-value products, can be moved. Consequently, while some staff will be laid off in nine months, others will need to be retained for up to two years.

Sixty-five per cent of the output of the plant targeted for closure is sold within Germany, but the company estimates that the reduction in production costs associated with the move to China will more than outweigh the cost of transporting the refrigeration equipment back to the German market. One concern, however, is how customers will react to the company moving jobs abroad. Employees were shocked by the news that their plant is to be closed and are planning to do everything they can to resist the closure. Employees elsewhere in the company are aware that more plants are likely to be closed.

Imagine that you have been asked to advise Galaxy about how to manage the closure of the refrigeration plant in Germany:

- 1. What are the communication issues?**
- 2. How do you think they should be addressed?**

SUMMARY

The quality of communications can have an important impact on the success or otherwise of a change programme. It can, for example, affect whether the need for change is recognized in good time and can have a major impact on the quality of collective learning.

This chapter considers the features of communication networks that relate to the management of change, reviews a number of communication strategies, explores some of the factors that can deprive change managers of access to vital information, discusses the effect of interpersonal relations on the quality of communication, and considers how change communication can affect perceptions of fairness and justice.

Attention has also been given to the need for those leading change to continuously monitor and review the effectiveness of their approach to communicating change.



MOTIVATING OTHERS TO CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

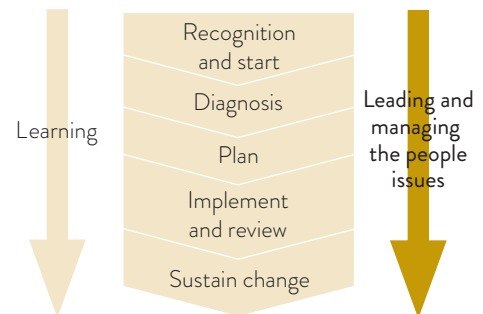
1. Understand what motivates people to support or resist change.
2. Explain why motivation is important.
3. Avoid unintentional violations to the psychological contract that could undermine commitment and the motivation to change.
4. Appreciate that what at first appears to be resistance could be valuable feedback.
5. Recognize and manage factors that can affect an employee's readiness for change.
6. Use a change tool to enhance employee motivation.

A key challenge for leaders is motivating others to support change, and as we saw in Chapter 20, the way the change is communicated can have a large impact on this. Choi (2011) observes that change will only be successful and persist over time when individuals alter their on-the-job behaviours in ways that support the change. He argues that employees have to be at the centre of organizational change but asserts that change efforts often fail because those leading the process pay insufficient attention to winning the support of those who can affect the outcome of the change.

It was noted in Chapter 8 that organizations, like all open systems, seek to maintain a state of equilibrium; they tend to gravitate to a condition where all the component parts of the system are aligned with each other.

Intentionally intervening to change the organization by modifying one or more components of the system can disturb this state of equilibrium and create pressure to restore it. Restoration can be achieved by either realigning other components with those that have been changed, or resisting the change and seeking to re-establish the status quo. When organizational members are one of the components that has been changed and they feel that the change, for example to reporting relationships, tasks, technologies, performance evaluation criteria or headcount, is disturbing the status quo in a way that disadvantages them, they will be motivated to resist the change and maintain or restore the status quo.

Those leading the change need to do whatever they can to win the support of change recipients. This may not be too difficult when they can point to either the benefits that will follow successful implementation of the change or a significant loss of benefits following no change, but just because leaders anticipate this pattern of costs and benefits does not mean that those who will be affected by the change will share this assessment. Motivating others to support change when those affected are unlikely to enjoy any benefit is much more difficult. There may be scope for working together to discover alternative ways forward, finding ways of minimizing the losses that seem inevitable, or providing support for those who feel they will lose out.



MANAGING CHANGE IN PRACTICE 21.1 Johnny Schmidt: Know, feel, do

Johnny Schmidt led the customer care change programme reported in Example 24.1 when he was global head of customer service at Maersk Line. In his short video ‘Know, feel, do’, which you can watch on the book’s companion website at bloomsbury.pub/hayes-change-management-6e, Johnny talks about the most important lesson he has learned from his experience of managing change. Talking to stakeholders about how a change will be implemented and what it will do for the organization is less important than communicating why the change is important for them. They need to *know* what’s in it for them so that they will *feel* right about the change and be committed to *doing* things differently.

This chapter will:

- Consider factors that can influence whether individuals and groups will support change.
- Explore the benefit of viewing resistance as valuable feedback rather than an unwelcome threat that has to be managed.
- Review some of the steps that change leaders can take to motivate others to change.
- Draw on expectancy and equity theories to provide a change tool that leaders can use to help them achieve this.

ORGANIZATIONAL COMMITMENT AND SUPPORT FOR CHANGE

Several studies have found that employees who are committed to their organization are willing to exert effort on its behalf and are more accepting of the need for change (Oreg et al., 2011). Begley and Czajka (1993) also found that organizational commitment can serve as a buffer, dampening the detrimental effects of change-related stress. Furthermore, organizational members’ past experience of change can affect their level of commitment to the organization and their willingness to support further change.

Over 60 years ago, Argyris (1960) first defined the ‘psychological contract’ as the perceptions of both parties to the employment relationship and the obligations of each that are implied in this relationship (see for example [Table 21.1](#)). It is an unwritten set of expectations between all organization members and those who represent the organization, and incorporates concepts such as fairness and reciprocity.

Table 21.1 *The psychological contract*

The organization expects employees to:	In return, employees expect they will:
Be loyal	Receive an equitable level of remuneration
Keep trade secrets	Be treated fairly and with dignity
Work hard and do their best for the organization	Have some level of security of employment
	Have some level of autonomy
	Have an opportunity to learn and develop

If employees feel that their managers have kept their side of the psychological contract, they are likely to respond by displaying a high level of commitment to the organization. If, on the other hand, they feel that the organization has failed to keep its side of the bargain, they may respond by redefining their side of the psychological contract. They may invest less effort in their work, be less inclined to innovate and less inclined to respond to the innovations or changes proposed by others.

✓ EXERCISE 21.1 Violations of the psychological contract

Think of an incident at work or university when the organization/management fell short of what might have been reasonably expected of them in their treatment of you or another individual or group of employees/students. In the space below, list any effects this incident had on the level of commitment of those who felt they had been let down.

You might also consider the effect on others. People observe how colleagues are treated and this affects their views about how they may be treated in the future if they are involved in some kind of change. Note, in the space below, any 'ripple effect' this incident had on the commitment of others and their willingness to support change.

Managers often expect that those who have been retained after a programme of redundancies will be relieved and grateful and will respond with higher levels of commitment and performance. Research on 'survivor syndrome' and perceptions of fair treatment (see Doherty and Horsted, 1995) suggests that this may not be the case. Survivors may respond in a number of ways, ranging from shock, anger, animosity towards management, guilt, concern for those gone, anxiety, fear of losing their job in the future, or relief that they still have a job. Some research on managing redundancies (Sahdev, 2004; see Research Report 17.1) also suggests that if survivors feel that leavers have been treated too generously relative to their own situation, they may feel that they have been treated unfairly and this can have an adverse effect on their motivation and commitment. Example 20.1 on PCBtec illustrates how easily managers can, sometimes unintentionally, damage the psychological contract.

Commitment to a job and the willingness to support change

While there is evidence that employees who are committed to their organizations are more likely to support change than those who are not, the situation is complicated when employees are also

committed to (and satisfied with) their job. Van Dam (2005) found that employees who reported high job satisfaction were more reluctant to change than those who were less satisfied. This reluctance might be because they do not want to do anything that could threaten the benefits their job provides.

What leaders see as resistance others might interpret as support

People react to change in different ways. Dialectical theories focus on the conflicting goals of different parties that result in one challenging another's attempt to secure a particular outcome. Sometimes, these challenges are powerful enough to block or radically transform the change. Often, however, a change proposal might be challenged because one party sees problems that another has missed or because they anticipate that the change will not deliver sufficient benefit to justify the costs involved. This kind of challenge might not be intended to derail the change.

In Chapter 16, reference is made to a sequential and reciprocal cycle of sense making and sense giving that is triggered when leaders communicate their vision of a better future. Recipients of the leader's message engage in their own sense making, digesting and interpreting what they have heard and anticipating the implications of the leader's new vision for themselves, their unit or the organization. They then offer feedback to their leaders. This can be in the form of a request for further clarification, a bid to modify and shape the leader's original vision, or even challenge their proposition that there is a need for a new vision in the first place. Those giving this kind of feedback may see themselves as making well-intentioned contributions to the proposed change rather than opposing the new initiative for personal advantage.

Problems can arise, however, when leaders too quickly interpret this kind of feedback as negative resistance and a threat that has to be managed. As noted in Chapter 20, responding negatively to feedback from others can undermine their morale, damage organizational commitment and erode their support for the change. Ford and Ford (2010), while not denying that some reactions to change can be detrimental, argue that much of what might be perceived as resistance can have functional value and should be viewed as feedback. For example, when leaders genuinely encourage feedback on their vision, there is a good chance that the vision that eventually emerges will be more robust and fit for purpose.

Readiness for change rather than resistance to change

Some view individuals as naturally resistant to change and conceptualize resistance as an innate and irrational predisposition. Choi and Ruona (2011) go so far as to suggest that the expectations of some change agents predispose them to look for resistance and to make sense of others' actions in such a way as to confirm their expectation.

Coch and French (1948) were among the first to reject the notion that individuals are the prime source of resistance, and Burnes (2015), after reviewing four theories dealing with resistance, concluded that they provide substantial support for Coch and French's view that resistance arises from imbalances and contradictions within the system rather than from the individual.

Choi and Ruona (2011) suggest that a more constructive approach is to think in terms of an individual's readiness for change rather than their propensity to resist change. Readiness is defined in the health literature as an individual's perception of the necessity for change and the extent to which they believe they have the capacity for it. When applied to organizational change, more attention needs to be given to context. Choi and Ruona (2011, p. 51) observe that organizational change interrupts normal patterns and:

to make sense of the new environment and to draw conclusions about its possible outcomes, individuals are actively involved in information seeking, meaning ascription, and assumption making about the change process. ... As a result, individuals form assumptions, expectations, and impressions about the change, which comprise individual readiness for organizational change.

Choi and Ruona (2011) go on to assert that an individual's readiness for organizational change involves their evaluation of their own and the organization's capacity for making a successful change, the need for the change, and the benefits they and the organization will gain from the change. This perspective recognizes that it is natural for individuals to have concerns about change and holds that changes are more likely to be successfully implemented when those leading the change recognize and address these concerns.

FACTORS THAT CAN AFFECT READINESS FOR CHANGE

Kotter and Schlesinger (1979) identify four main reasons why organizational members might be unwilling or reluctant to support a proposal for change. These are lack of trust, low tolerance for change, different assessments of the need for and consequences of the change, and parochial self-interest.

Low trust

Misunderstandings can undermine the readiness for change. Stakeholders may be reluctant to support a change when they do not understand the implications it may have for them or when they anticipate that the change will cost them more than they will gain. Such misunderstandings are most likely to arise when trust is lacking between change leaders and those who feel that they will be affected by the change. Lines et al. (2005) note that several studies have linked trust to levels of openness in communication and information sharing, levels of conflict and the acceptance of decisions or goals. When organizational members do not trust change managers, they are likely to resist any change they propose.

Managers and change agents often fail to anticipate this kind of resistance, especially when they are introducing a change they perceive will be of benefit to those involved. A consultant was asked by the CEO of a chemical company to investigate why the workforce had rejected a productivity agreement that senior management believed offered considerable advantages to the organization and the process workers. It turned out that the message that had been communicated to the workforce was, in some important respects, different to the proposal the senior management team had agreed to make (see Chapter 20 on communication problems). These differences had arisen as the proposal had been passed down the management chain. However, this communication problem had been compounded by the fact that the process workers felt the offer was too good to be true and that management was intent on manipulating them in some way.

Low tolerance for change

Stakeholders may also be reluctant to support a change when they are concerned about their ability to develop the new skills and behaviours that will be required of them. All people are limited in their ability to change, but some are more limited than others. Even when those affected by a change understand the need for it, they may be emotionally unable to make the transition. Perceived loss can affect people in different ways but often involves some element of denial and a reluctance to 'let go' (see the discussion of how individuals respond to change in Chapter 22).

Different assessments

Kotter and Schlesinger (1979) suggest that another common reason why some stakeholders may be reluctant to support a change is that they assess the situation differently from those initiating the change and see more costs than benefits resulting from it, not only for themselves but also for the organization or other constituencies that are important to them. Kotter and Schlesinger argue that managers who initiate change sometimes assume that they have all the relevant information required

to conduct an adequate organization analysis and that those who will be affected by the change have the same facts. Often, neither assumption is correct. Also, those initiating change often fail to take account of how the change might affect stakeholders who are not organizational members. External stakeholders can be an important source of resistance. This problem is discussed in Chapter 17.

Furthermore, Zaltman and Duncan (1977) point to how selective attention and retention can prevent individuals or groups appreciating that the current state of affairs is unsatisfactory. The mental models that influence how they perceive, interpret and make sense of their environment can have a strong effect on how organizational members assess their circumstances and whether or not they perceive any problems. The mental models that guide their sense making can also affect the kind of solution they will favour if a problem is perceived to exist. It is not unusual for resistance to occur, even when organizational members and their managers have a shared view of the nature of a problem, because both parties have conflicting views about what should be done to resolve it.

Parochial self-interest

People resist change when they think it will cause them to lose something of value. It is not uncommon for stakeholders to focus on their own best interests rather than those of the organization. Indeed, Pugh (1993) suggests that, all too often, managers fail to anticipate resistance because they only consider change from a rational resource allocation perspective and fail to appreciate that many organizational members are much more concerned about the impact it will have on them personally.

Oreg et al. (2011) cite a number of studies that suggest that a key determinant of resistance to change is the extent to which potential change recipients perceive the change as personally beneficial or harmful. Example 21.1 illustrates what can happen when a change is seen to offer little personal benefit.

EXAMPLE 21.1 Legal templates

Recent times have been difficult for many small and medium-sized law firms, especially those specializing in commercial law. The difficult trading conditions, an associated slowdown in mergers and acquisitions, a trend towards companies using more in-house lawyers, and competition from other providers, such as auditors, who are offering services that used to be the exclusive preserve of law firms, have combined to depress turnover and squeeze margins.

One Danish firm responded to this slowdown by initiating merger talks with two similar-sized practices. The first merger was completed relatively quickly and the second six months later. They created a new practice, referred to here as SBP. Like many law firms, the partners each led their own individual unit with two or more lawyers working with them.

The managing partners of SBP agreed that they needed to search for ways of reducing costs and winning more business. While working on a long-term plan to develop a new business model, they pursued a more immediate initiative to improve effectiveness by sharing knowledge and best practice across the firm. They recognized that, following the mergers, the new partnership had a wealth of knowledge that could be drawn on to improve the quality of the legal products and services they provided. The first target for change was the document templates that partners and their associates used. The plan was for each lawyer to review the templates they used, identify those that might be of value to colleagues, and upload them to a new knowledge database that would be available to all.

To begin with, the plan was implemented as intended but, after the good start, the managing partners turned their attention elsewhere. Once the lawyers sensed that the pressure was off, the flow of new templates began to slow and

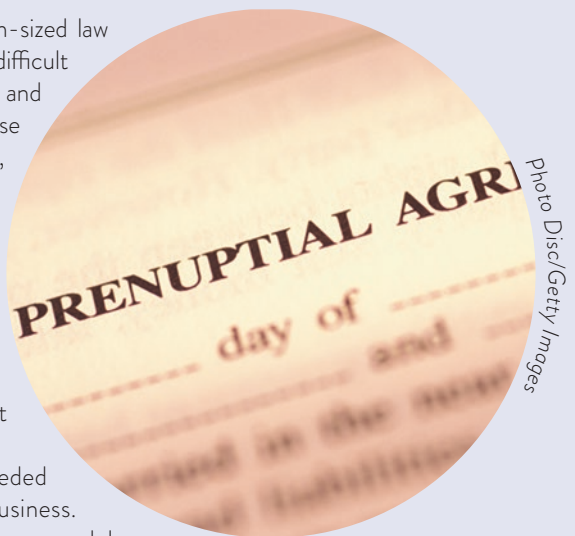


Photo: Disc/Getty Images

eventually stopped altogether. The problem was their motivation. Reviewing their documents, identifying templates that might be useful to others and uploading them to the new database were time-consuming activities, and the time allocated to this work was not recognized as billable hours, the key performance measure used by the firm. The problem was further exacerbated by the firm's informal culture of intergroup competition, which was based on the prestige of the work the lawyers did for clients. This competition undermined the incentive for partners and their associated lawyers to share with others any information that could help them secure the most prestigious work.

From the perspective of the managing partners, their plan for change promised benefits for the whole firm, but from the perspective of individual lawyers, the change involved cost and little, if any, personal benefit.

This personal impact can take many forms. It might include how the change will affect ways of working, job opportunities, career prospects, job satisfaction and so on, and how it might undermine or enhance an individual's power and status, and the prestige of the groups to which they belong.

Zaltman and Duncan (1977) view threats to power and influence as one of the most important sources of resistance to change. They observe that the prospect of a merger often gives rise to fears on the part of individuals, groups and even entire organizations that they will lose control over decision making. They also note that managers, even senior managers, may resist the use of certain approaches to the management of change if they feel that these may undermine their power and authority. They illustrate this with an example of head teachers who were resistant to the use of a survey feedback approach to organization development because it enabled teachers and district-level personnel to have access to data and use them to propose solutions to problems. Some head teachers were concerned that this approach would increase the power of teachers and undermine their own power to influence how the schools were managed.

Readiness to change in family businesses

Family businesses deserve special mention here because they dominate in many emerging economies, represent 90 per cent of all businesses in the USA, and account for about 35 per cent of all Fortune 500 companies and 43 per cent of all large businesses in Germany. Some are large, some are multinationals and many have enjoyed long-term success, but others fail, are sold on by their founders, continue as small businesses or grow, but only slowly. Of those that do survive, only 30 per cent make it to the second generation and only 13 per cent make it to the third. There are many reasons why a significant number of family businesses fail to thrive and some are related to motivation and a lack of readiness to change.

In some businesses, the family members who are in control may fail to recognize problems or opportunities and, even if they are identified by others, such as members of the next generation of family members or by professional (non-family) managers who have been appointed to help run the business, they may be reluctant to respond. Their resistance may be rooted in any of the factors mentioned above but, often, it is because they believe that the change will damage some of the family-centred, non-economic goals (mentioned in Chapter 5) that they may value more than pure economic returns.

Verbeke and Kano (2012) point to 'bifurcation bias' as another problem in family firms that can, among other outcomes, affect the motivation of non-family members working for the business. Verbeke and Kano (2012, p. 1189) argue that when family businesses begin to professionalize management and appoint more outsiders to senior management roles, this can lead to the creation of two classes of employee, family member and others, which, in turn, can lead to asymmetries in their treatment:

whereby family employees are treated by default as highly valuable, firm-specific assets, being 'on the inside for the long run,' and as loyal stewards with a long-term commitment to the firm, while nonfamily employees are dealt with as easily substitutable, commodity-like, short-term assets, and as self-serving agents who ultimately remain 'outsiders' even if used/internalized temporarily by the firm.

This can have many consequences; for example, biasing performance evaluation and overestimating the contributions made by family members and underestimating the contributions of highly motivated, non-family members. When this happens, it can reduce the effort and commitment of non-family managers, especially when they are required to support changes that promote family-centric, non-economic outcomes rather than economic goals. But not all family firms evidence this bifurcation bias. Verbeke and Kano (2012) suggest that family firms free from this bifurcation bias will reap greater benefit from non-family employees and are more likely to grow and prosper.

MOTIVATING PEOPLE TO CHANGE

Change leaders can act in a number of ways to minimize resistance and increase the motivation of change recipients to support the change. We discuss some of these below.

Education and persuasion

One of the most frequently used ways of minimizing resistance is to present rational arguments and technical evidence to educate people about the need for change. Zaltman and Duncan (1977) refer to 'educative' strategies as those that provide a relatively unbiased presentation of the facts in order to provide a rational justification for action. This approach is based on the assumption that organizational members and other stakeholders are rational beings capable of discerning facts and adjusting their behaviour accordingly when the facts are presented to them.

A related approach is to persuade people to change by appealing to their emotions, presenting passionate arguments, and biasing the message to increase its appeal. Most advertising is persuasive in nature. When the level of commitment to change is low, persuasive approaches are likely to be more effective than rational educative strategies. Persuasive approaches can increase commitment by stressing (realistically or falsely) either the benefits of changing or the costs of not changing. The way a persuasive argument is framed is important. Thaler and Sunstein (2009) argue that people are more likely to be persuaded to change if attention is focused on what they will lose by not changing, rather than on what they will gain if they do change. This is because people are loss averse. However, if a persuasive message is so false/biased as to deceive the change target, the approach is better classified as manipulative (see below).

Nadler (1993) builds on Lewin's notion of 'unfreezing' (discussed in Chapter 2) and argues that one of the most effective ways of motivating people to change is to expose or create a feeling of dissatisfaction with the current state. This can be accomplished via education or persuasion, but if change recipients feel they are being blamed, they may react defensively and try to save face by justifying their current work practices and denying the need to change. A more effective approach is to avoid apportioning blame, while pointing to the potential losses if alternative practices are not adopted and/or highlighting the benefits that will flow from the adoption of alternative practices.

Involvement

Nadler (1993) argues that another effective way of surfacing and creating dissatisfaction with the current state and motivating people to change (unfreezing) is to involve them in the collection, analysis and presentation of information. Information that people collect for themselves is more believable than information presented to them by external experts or other advocates of change.

A potential benefit of participation and involvement is that it can excite, motivate and help to create a shared perception of the need for change within a target group. When change is imposed, the change target is likely to experience a lack of control and feel the 'victim' of change. The more people are involved, the more likely they are to feel that the change is something they are helping to create. In addition to increasing motivation, participation and involvement can also produce better

decisions because of the wider input and can help to sustain the change once implemented because of a greater sense of ownership.

The classic study by Coch and French (1948) demonstrated that workers are much more accepting of a change in work practices when they are involved in the planning of the change, and this is discussed in Research Report 21.1.

RESEARCH REPORT 21.1 Effect of group participation on resistance to change

Coch, L. and French, J.R. (1948) Overcoming resistance to change, *Human Relations*, 1(4): 512–32.

Coch and French designed one of the first experiments to explore the effect of group participation on resistance to change. They observed, in the Harwood Manufacturing Company, that changing people's jobs and rates of pay often led to drops in performance and higher levels of grievances, aggression and labour turnover.

They examined the effect of two different ways of including workers in the design of the change. The first involved participation through representation and the second involved the participation of the whole group. The effects of these two methods were compared with the outcome of the normal procedure for introducing change.

The normal way of introducing change was for management to define the new job and then set the new rate of pay before calling a meeting to inform the workers why the change was necessary (a response to competitive pressures) and what it would involve. Questions were answered before the meeting was closed.

The first experimental treatment (participation through representation) involved a group meeting with all operators before any changes had been designed. Managers explained the need for change and encouraged discussion before proposing a six-stage process that involved:

- studying the job as it was being done
- eliminating all unnecessary work
- training representative operators in the new methods
- setting the new piece rates using time studies of these operators
- explaining the new job and pay rates to all operators
- involving the representatives in training all the other operators.

Coch and French report that this approach was successful and that the representatives referred to 'our job' and 'our rate'. The second experimental treatment was applied to two groups. It was similar to the first but involved all operators rather than just representatives.

Results

There was little improvement in the performance of the control group, where change had been introduced in the normal way, and resistance to the change developed almost immediately. However, there was significant improvement in the performance of both experimental groups – participation through representation and participation of the whole group – and the changes were introduced without any significant resistance. The rate of performance improvement was higher when all operators participated in designing the change.

Coch and French conducted a second experiment 10 weeks after the control group involved in the first experiment had been dispersed to other jobs in the company. The members of the original group were brought together again and transferred to a new job using the total participation procedure – no reference was made to their previous behaviour on being transferred. The results were in sharp contrast to the results when they had been moved to new work using the company's normal procedure. Performance improved and there was no resistance.

The first set of experiments indicated that:

- performance improvement was directly proportional to the amount of participation
- the rate of turnover and aggression was inversely proportional to the amount of participation.

The second experiment with members of the original control group suggested that the results depended on the experimental treatment (amount of participation) rather than personality factors or differences in skill level.

Coch and French's findings suggested that participation led to the acceptance of new practices because it encouraged the group to 'own' them as a group goal. This ownership offered the bonus of new group norms that helped to implement and sustain the changes.

Involvement can be encouraged at any stage of the change process and can include all of a target group or only a representative sample. Organizational members might be invited to participate in the initial diagnosis of the problem, the development of solutions and the planning of implementation strategies, the actual implementation of the change plan and/or in the evaluation of the effectiveness of the change.

Some managers have an ideological commitment to participation and involvement, whereas others feel that it threatens their power and authority and is almost always a mistake. Kotter and Schlesinger (1979) maintain that both attitudes can lead to problems because neither is realistic. They argue that where change initiators do not have all the information they need to design and implement a change, or when they need the wholehearted commitment of the change target, involving others can make good sense. However, involvement does have some costs. It can be time-consuming and if those who are involved have less technical expertise than those leading the change, it can result in a change plan that is not as good as it might have been. Factors that can affect the decision to involve others are discussed in Chapter 11.

Facilitation and support

Kotter and Schlesinger (1979) suggest that when fear and anxiety lie at the heart of resistance, an effective approach to motivating change is to offer facilitation and support. They suggest that this might involve the provision of training in new skills, giving time off after a demanding period, or simply listening and providing emotional support.

Nadler (1993) refers to the need to provide time and opportunity for people to disengage from the current state. This can be especially helpful when they feel a sense of loss associated with the letting go of something they value or feel is an important part of their individual or group identity. He also refers to the value of group sessions that provide organizational members with the opportunity to share their concerns about the change. However, Nadler acknowledges the possibility that such sessions might also have the effect of increasing rather than reducing resistance by, for example, becoming an opportunity to simply air grievances.

Ceremonies and rituals that mark transitions can also help people to let go of the past and begin to think constructively about the future. Rituals can help people manage the sense of loss that is often associated with change. They can also be used to symbolize the need for change.

Dramatizing the need for change

Bridges (1993) advocates that managers shouldn't just talk about what is wrong with the current situation and why it has to end; they should create actions to dramatize the need for change. Example 21.2 illustrates this point. The provision of emotional support can be particularly effective in circumstances where feelings undermine people's ability to think clearly and objectively about a problem. Some examples of facilitation and support will be considered in Chapter 22.

EXAMPLE 21.2 Actions can speak louder than words: breaking fridges at Haier

The Qingdao General Refrigerator Company was a failing organization when Zhang Ruimin was appointed general manager. He was the fourth within 12 months, but he was different. He was determined to stay and turn the business around, and he recognized that a priority was to improve quality. One of his early initiatives was to link pay to performance. At the time, in China, this was a radical move. Civil servants and those working in state-run enterprises, like the Qingdao General Refrigerator, enjoyed what was referred to as the 'iron rice bowl' – job security and a steady income for life, regardless of level of performance.

Sometime after introducing this new policy, Zhang conducted a physical check of all the refrigerators stored in the warehouse. He found that 20 per cent were faulty. The situation was worse than he had anticipated, so he decided he had no option other than to shock people into recognizing the need for change. He identified all the workers who had produced the faulty fridges, distributed hammers, and demanded that they smash up these fridges. The people involved could not believe what they were being asked to do. Each fridge could be sold for the equivalent of two years of a factory worker's salary, and the demand for fridges was so high that all the fridges could have been sold.

Bill Fischer, professor of innovation management at IMD business school in Switzerland, who was in China at the time, reported that Zhang's action was a signature event, not only for those working in the factory but also for the wider population (Haier, 2018). It shocked workers into realizing that the iron rice bowl was broken and that shoddy work would not be tolerated, and that poor performance would have an immediate impact on pay and persistent poor performance could lead to dismissal. It also signalled to potential customers that the Qingdao General Refrigerator was no longer going to sell poor quality fridges. Zhang's action led to a dramatic improvement in quality. Within three years, its fridges were recognized as the best in China.

Negotiation

People can be motivated to change by rewarding those behaviours that will facilitate the change. The explicit provision of additional rewards is a useful approach when the change target is unlikely to perceive any obvious gains associated with the original change proposal.

Kotter and Schlesinger (1979) suggest that negotiated agreements can be a relatively easy way to avoid resistance when it is clear that someone, who has sufficient power to resist a change, is going to lose out if the change is implemented. The problem associated with this approach is that others who may have been content to go along with the change may then see the possibility of improving their lot through negotiation. The long-term effect can be to increase the cost of implementing changes and increase the time required to negotiate the change with all interested parties.

Manipulation and co-option

Manipulation is the covert attempt to influence others to change and can involve the deliberate biasing of messages, as considered above. It can also involve co-option. Kotter and Schlesinger (1979) note that co-opting usually involves giving an individual or group leader a desirable role in the design or implementation of the change. The aim is not to seek access to any expertise they may have, but to secure their endorsement. While this approach may be quicker and cheaper than negotiation, it runs the risk of those who are co-opted feeling that they have been 'tricked' into supporting the change. Also, those who are co-opted may exercise more influence than anticipated and steer the change in a direction not favoured by the change initiators.

Explicit and implicit coercion

The ability to exercise power exists when one person or group is dependent on another for something they value. Coercive strategies involve change managers using their power to grant or withhold valued outcomes in order to motivate people to change. While the result may be a willingness to comply and go along with the change, the change target's commitment to the change may be low. Consequently, compliance may only be sustained as long as the change manager continues to monitor the situation and maintains the threat of withholding valued outcomes. In spite of the risks of long-term resentment and the possibility of retaliation that are often associated with coercive change strategies, there may be occasions where their use is appropriate. These may include situations where the target group has a low perceived need for change, where the proposed change is not attractive to the target group, and where speed is essential.

Goal setting

Hundreds of studies have shown that goal setting can affect levels of performance and there are strong arguments that they can also affect the motivation to support change. Seijts and Latham (2012) argue that attractive goals can affect priorities, effort, persistence and the search for effective ways of working. For example:

- Most employees and other stakeholders have multiple demands on their time. Presenting them with compelling goals for change can help them set priorities and focus their attention on implementing the change.
- Goals can affect the effort that people are willing to invest in the change. When those involved have high self-efficacy and anticipate that they will be able to deliver whatever performance is required (referred to below as ‘effort to performance expectancy’), challenging goals will be more motivating than easy goals.
- Goals that are attractive (perceived to deliver benefit) and challenging motivate those involved to persevere and continue working to implement the change.
- When it is not immediately obvious what needs to be done, attractive and challenging goals can motivate those involved to draw on their repertoire of knowledge and experience to develop and implement strategies that will deliver the required performance. But goals that are not perceived as attractive or capable of delivering benefit can be resisted.

EXPECTANCY THEORY AND THE MOTIVATION TO SUPPORT OR RESIST CHANGE

When change recipients anticipate that a change could provide them with some benefit, they may well be motivated to support it, but whether this possibility will actually be translated into positive action will depend on their expectation that the change will deliver the promised benefit. Expectancy theory considers how expectations influence motivation. It offers a useful conceptual framework for assessing whether a stakeholder is likely to support or resist an impending change. Expectancy theorists (for example Vroom, 1964; Porter and Lawler, 1968) argue that behaviour is a function of two factors: the attractiveness of outcomes and expectancies about the achievement of valued outcomes:

1. *Outcomes*: These can be evaluated in terms of their value or attractiveness. Vroom (1964) refers to this as ‘valence’. If stakeholders expect the change to reduce the availability of valued outcomes, they are likely to offer resistance. If, on the other hand, they expect it to increase the availability of valued outcomes, they are more likely to offer support.
2. *Expectancies*: Stakeholder motivation will be influenced by their expectations about the likelihood that they will actually receive valued outcomes in practice. The theory focuses attention on two expectancies about the future:
 - *effort to performance expectancy*: the person’s expectation that they can perform at a given level – their efforts will lead to successful performance.
 - *performance to outcome expectancy*: the person’s expectation that some level of performance will lead to desired outcomes, or the avoidance of negative outcomes.

From a motivational perspective, it is the expectation or belief about the relationship between effort, performance and valued outcomes that will determine whether a stakeholder will be motivated to support or resist a change. The basic elements of this theory are illustrated in [Figure 21.1](#).

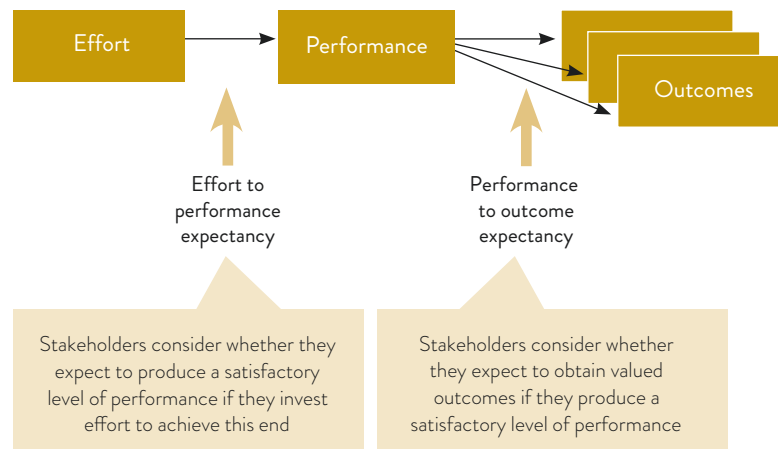


Figure 21.1 The expectancy model of motivation

Equity of treatment

The model can be extended to include stakeholder expectations about the equity of outcomes in the changed situation (see [Figure 21.2](#)). If stakeholders believe that comparable others will receive more favourable treatment (in terms of valued outcomes) as a result of the change, this will affect their assessment of the attractiveness of the outcomes they expect to receive. Some stakeholders who expect, in absolute terms, to receive a net increase in valued outcomes may still resist the change because they feel they are being treated unfairly relative to comparable others.

Understanding and competence

The model can be extended still further to include key factors that may affect effort to performance expectancies. These include the stakeholder's understanding of the nature of the required performance and the rules that govern how a performance should be produced, as well as the competences required to deliver a satisfactory level of performance ([Figure 21.2](#)). These will be discussed below.

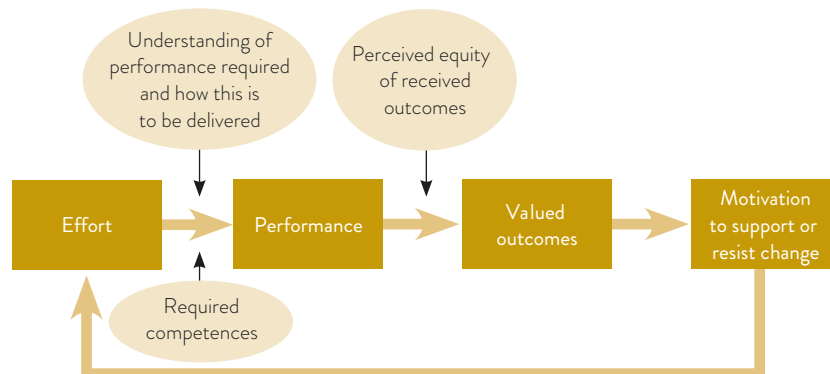


Figure 21.2 An expectancy model of the motivation to support or resist change

USING EXPECTANCY THEORY TO ENHANCE MOTIVATION AND SUPPORT FOR CHANGE

Those leading change can use expectancy theory to assess and improve the perceived attractiveness of outcomes and build positive expectations about the relationship between effort and performance and the achievement of outcomes.

Assessing the availability of valued outcomes

The first step in assessing how stakeholders will respond to change is to identify how the change will affect the availability of valued outcomes in the changed situation. In order to do this, the change manager needs to:

- be aware of the kinds of outcomes that are valued by the stakeholders who will be affected by the change
- have some understanding of the extent to which the current situation provides these outcomes
- have some understanding of the extent to which valued outcomes will be (at least potentially) available in the changed situation.

This assessment will provide a useful first indication of the extent to which stakeholders will support or resist the change. It will also indicate the extent to which they are likely to be motivated to perform in ways that will contribute to organizational effectiveness in the changed situation. How the perceived value of outcomes can affect the willingness of organizational members to support a change is illustrated in Example 21.3.

EXAMPLE 21.3 Buffalo News

An East African news channel Buffalo News (as it will be referred to here) embarked on a collaboration with an international news broadcaster in order to align its news gathering, production and broadcasting processes with international standards. An early initiative was a training programme, provided by the international news broadcaster's staff, for 30 journalists and others. The aim was to introduce them to some of the latest processes and techniques for preparing news programmes.

This was followed by a redesign of the news production units. Up until this point, the production units had been headed by experienced reporters, who worked closely with programme anchors and were responsible for choosing and covering the news and managing every step in the production process. Both reporters and anchors were very influential. The reporters worked on location and handled news directly and the anchors met and interviewed sources.

Following the change, the production units were headed by producers, a new role in the Buffalo News structure. The producers had overall responsibility for news gathering and broadcasting, a change that would reduce the responsibilities, power and influence of the experienced reporters. Senior managers had recognized the importance of attracting the best available talent to apply for the new producer roles. Experienced reporters were the favoured candidates. Unfortunately, the reporters, who had relevant experience and many of the required competences, were not attracted to the new role. They thought the role would be boring, especially so because it did not include any news gathering on location. Those leading the change had not anticipated this response and so were surprised when those they regarded as the best qualified candidates failed to apply.

Although the international news broadcaster's advisers provided support to the (less qualified) candidates who were appointed, the new producers had to do much of their learning on the job. The result was that there were inevitable mistakes, many of which the producers attributed to reporters, who countered by blaming the producers. This blame culture, the loss of power and influence and the resultant drop in job satisfaction began to focus the attention of experienced reporters on to some of the previously unrecognized, attractive outcomes that the producer role offered, especially when compared to the less well paid and more restricted role of reporter. It was not long before experienced reporters began to view the producer role more favourably and began to compete for the role of producer whenever opportunities presented themselves.

The introduction of the new producer role could have been managed much more effectively if senior executives had recognized the need to communicate the benefits that this role could offer to experienced reporters.

When people are confronted by an impending change, they often fear that they will lose some of the outcomes they value in the existing situation. However, they may also anticipate some gains. These gains might be more of the outcomes they already enjoy or some completely new benefits. In order to anticipate how stakeholders will feel about a change, it is necessary to empathize with them in order to construct a balance sheet of what (we think) they will perceive as gains or losses.

4. Finally, review the content of the full table and rank how you think the stakeholder will value the outcomes. In the column headed 'Rank', enter 1 next to the most valued outcome, 2 next to the second most valued and so on.
5. In order to make an overall assessment of the potential net gain or loss for the stakeholder, it is necessary to take account of the number of gains and losses identified in the above table, and the relative importance of the different valued outcomes to the stakeholder. The ranking is intended to provide a basis for weighting the significance of each gain and loss. Taking all this into account, assess whether the stakeholder is likely to view the net effect of the change as a gain or a loss.
6. Consider whether those leading the change were/are aware of how the change was/is likely to affect the availability of outcomes valued by the selected stakeholders.
7. Consider whether this information might have improved the way the change was/is being managed.

Expectancies about effort–performance and performance–outcome relationships and equity of net benefits

Although the change manager may see potential net gains for the people affected by the change, the individuals concerned may not share this assessment. In order to understand better the extent to which stakeholders will resist or support change, the change manager needs to consider three additional issues.

Anticipate stakeholder effort–performance expectancies

There will be less resistance, and therefore more support, in those situations where stakeholders expect to be able to deliver a satisfactory level of performance in the changed situation. Individuals or groups are more likely to resist a change when they expect that, irrespective of how hard they work, the change will undermine their ability to produce a satisfactory level of performance.

Diagnosis of potential misunderstandings

In order to anticipate how the change might affect stakeholder expectations about their ability to produce a satisfactory level of performance in the changed situation, those leading the change need to take into account misunderstandings that might arise about the processes and procedures that will apply in the changed situation. Stakeholders may assume that any new rules that define the nature of a satisfactory level of performance, or new rules that regulate working practices, may undermine their ability to produce a satisfactory level of performance.

Example: Individuals may assume that in the changed situation, they will have less autonomy and will be required to work in a group setting. They may also fear that in this group setting, their performance will be dependent on inputs from others who are poor or unreliable performers. Their fears may be well founded, but may also be based on misunderstandings about the nature of the change or the other people they may have to work with.

Possible action

Those leading the change may be able to reduce resistance from this source by:

- *education:* helping people develop a clear understanding of how the change will affect the way they will be required to work
- *education and persuasion:* helping them understand the consequences these new processes and procedures may have for their ability to deliver a performance
- *participation and involvement:* providing them with an opportunity to be involved in the planning of the change.

Diagnosis of impact of change on relevance of competences

Those leading the change may also need to take into account the relevance of existing competences in the changed situation.

Example: In those situations where a stakeholder's core competences become more highly valued, the individual is more likely to support the change. However, where core competences are perceived to be less relevant (or even redundant), the change is more likely to be resisted because stakeholders may fear they will not be able to produce a satisfactory level of performance.

Possible action

Those leading the change may be able to reduce the resistance from this source by:

- *planning:* considering possibilities for redeploying people to roles that will better utilize existing competences
- *participation:* involving people in identifying possibilities for redeployment
- *training and development:* providing training to develop more relevant competences.

Anticipate stakeholder performance–outcome expectancies

There will be less resistance, and more support, for a change in those situations where stakeholders expect that the delivery of a satisfactory level of performance will be linked to the achievement of valued outcomes. In those situations where they expect the change to undermine the achievement of valued outcomes, they are more likely to resist the change and be less motivated to perform in the changed situation.

Diagnosis

In order to anticipate how the change might affect stakeholder expectations about the relationship between performance and the achievement of valued outcomes, those leading the change need to empathize with them in order to develop a better understanding of this.

Example: If an individual values promotion and expects that in the changed situation there will be a closer link between advancement and level of performance, they may support the change and be motivated to perform well in the changed situation. If, however, the individual expects the change to weaken this link, it will increase the possibility that the change will be resisted.

Possible action

Those leading the change may be able to reduce resistance from this source by:

- *planning:* considering ways of modifying the change to strengthen the links between performance and the achievement of valued outcomes
- *persuasion:* persuading individuals that the change will actually strengthen these links
- *participation:* involving stakeholders in the diagnosis, planning and implementation of the change, which might reassure them that the change will be managed so as to strengthen links between performance and valued outcomes.

Anticipate stakeholder perceptions of equity

Finally, there will be less resistance (and more support) in those situations where stakeholders feel they are being treated equitably relative to others, that is, their net benefits (or losses) compared to those enjoyed by comparable others. Where they feel they are being treated unfairly, they may be more likely to resist the change.

Diagnosis

In order to anticipate the effects of perceived equity on the level of resistance or support for change, those leading the change need to identify those who may regard themselves as being treated inequitably.

Possible action

Those leading the change may be able to reduce resistance from this source by:

- *education and persuasion*: helping people who feel this way recognize all the potential gains available to them and ensuring that they fully understand the possible losses if the change is not implemented
- *planning*: exploring possibilities for improving the availability of valued outcomes for those who feel they have received inequitable treatment; and exploring the possibility of redistributing costs and benefits between those affected by the change in order to produce greater equity
- *participation*: involving stakeholders in the diagnosis, planning and implementation of the change, which might reassure them that the change will be managed so as to maximize equity of treatment.

TRANSLATING THEORY INTO PRACTICE

Drawing on the ideas discussed in this chapter and the other chapters in Part V, review the situation at the Douglas refinery (Case Study 21.1). The CEO of Prosper-McPherson, the company that owns the refinery, has asked a consultant to review the case and recommend how the situation might be managed from this point forward. He has also asked the consultant to identify any lessons that will help the management team manage similar situations in the future.

CASE STUDY 21.1 Managing change at the Douglas refinery

Located in the Republic of Ireland, the Douglas refinery had originally been commissioned 40 years ago and was one of four refineries owned by McPherson Oil. The Douglas refinery is the smallest of these four refineries, employing 150 staff and producing transport fuels such as diesel, petrol and jet fuel. Five years ago McPherson Oil was acquired by Prosper, a private equity company. The new owners renamed McPherson Oil 'Prosper-McPherson' and invested new capital, recruited a new CEO and other key managers, and tasked the new management team to restructure and reposition the business in order to enhance profitability.

Over the next three years, two new refineries were acquired and three of the existing refineries were expanded, but there was little new investment in the Douglas refinery. While the Douglas refinery was making a small profit, the new management team did not (and still does not) see it as a core asset. Members of the Prosper-McPherson management team and a group of consultants undertook a strategic review that explored possibilities for transforming and expanding the Douglas refinery. The refinery manager was informed of the review and asked to provide answers to specific questions about the operation of the site, but she was not a member of the review team. She was instructed not to inform any employees at the Douglas refinery about the review. The review process was completed 10 months ago and concluded that, because there were only limited opportunities for transforming and expanding the Douglas refinery, it should be sold.



photo Disc/Getty Images

The refinery manager was informed of this decision but instructed not to tell other employees, including members of the Douglas refinery management team, until after possible buyers had been approached. The Prosper-McPherson management team decided on this course of action in order to prevent staff at the Douglas site feeling insecure about their future, believing that any feelings of insecurity could trigger actions that might interrupt operations and/or encourage staff to look for alternative employment. They feared that any disruption would make it more difficult to secure a sale. The Prosper-McPherson management team was particularly concerned about the possibility of losing staff because, despite the recent downturn in the Irish economy, a chemical company was expanding its facilities on an adjacent site and seeking to recruit process workers, some supervisors and at least one manager.

Three weeks ago, a local newspaper published an article reporting rumours of a pending sale. Employees were shocked and angered by this 'announcement' and confronted their managers who, until the article had been published, knew nothing about it. The refinery manager immediately contacted the CEO at Prosper-McPherson HQ in Switzerland and was told to deny the rumour until a consultant (who was a co-opted member of the strategic review team) had visited the site and assessed the situation. Despite this instruction, the refinery manager decided to take the site HR manager into her confidence and inform him about the strategic review and the decision to sell off the refinery. She did this because she felt that the Prosper-McPherson management team's approach to managing change was creating problems that were difficult for her to manage and she felt a need to discuss the situation with somebody she could trust.

They both recognized that the other members of the refinery management team would be upset when they found out they had not been kept informed about the strategic review and the decision to sell the refinery. Even so, they felt they had no option other than to follow instructions from the CEO and deny any knowledge of the decision to sell the refinery. However, they did inform other members of the Douglas refinery management team that a representative of the Prosper-McPherson management team (the consultant) would be on site within 24 hours to help clarify the situation.

Imagine that you are the consultant. The CEO of Prosper-McPherson has asked you to assess the situation as quickly as possible and report back with recommendations for how the change should be managed from this point forward. You have also been asked to identify any lessons that will help the management team manage similar situations in the future.

The CEO has informed you (the consultant) that only one of the possible buyers who had been approached has shown any interest in the Douglas refinery. While this potential buyer might be willing to acquire the refinery, it has indicated that it is not willing to pay the asking price. This is because Douglas is a simple refinery that can only process part of each barrel of oil it purchases. In addition to the transport fuels that it produces and sells to end users, it also produces a number of intermediate products that it has to sell to other refineries for further processing. The market for some of these intermediate products is predicted to fall and it is this that is putting off prospective buyers. Nonetheless, the Prosper-McPherson management team is keen to sell the Douglas refinery even if it has to accept a price lower than anticipated. But in order to secure the sale, the Douglas refinery must be kept working as normal.

Because there is some doubt about the pending sale, the Prosper-McPherson management team has explored other possibilities. Two have been identified. The first is to close the refinery and sell off the site, making everybody redundant. The second involves retaining the site, closing the refinery and developing the site as a terminal. This option would involve making up to 100 staff redundant. However, it is possible that work could be found for 40–60 of these employees if they were willing to retrain and cooperate with managers to develop new work streams on the Douglas site, which would support operations elsewhere within the Prosper-McPherson group of companies.

Until the current crisis, employees at the Douglas site have been committed to the refinery and have responded well to new initiatives. Communications have been good and employees have felt able to make suggestions and seek information from their managers. Because there are only 150 employees on site, it has always been possible to discuss key issues face to face via team and departmental meetings. In addition, bimonthly meetings between managers and union and other employee representatives have ensured good two-way communication.

The rumour published in the local paper has undermined trust and damaged commitment. This could make it more difficult to retain staff and keep the refinery operating as normal and could, if the refinery is not sold, adversely affect staff willingness to work with managers to transform the site from a refinery into a terminal and commit to the development of new streams of business that could be located on the Douglas site.

1. What will you report back to the CEO of Prosper-McPherson?

SUMMARY

This chapter considers how the general level of commitment in an organization affects the extent to which organizational members will support new initiatives.

A number of factors that affect commitment and motivation are reviewed, together with the steps that leaders can take to minimize resistance.

How expectancy theory can be used to manage an individual's motivation to support a change is discussed. The motivation to support or resist a change will depend on the individual's expectations about: their ability to deliver a satisfactory level of performance in the changed situation; whether a satisfactory, or even exceptional, level of performance will lead to the achievement of valued outcomes in the changed situation; and whether the net benefits accruing to them will be equitable when compared to the net benefits accruing to comparable others in the changed situation.



SUPPORTING OTHERS THROUGH CHANGE

LEARNING OBJECTIVES

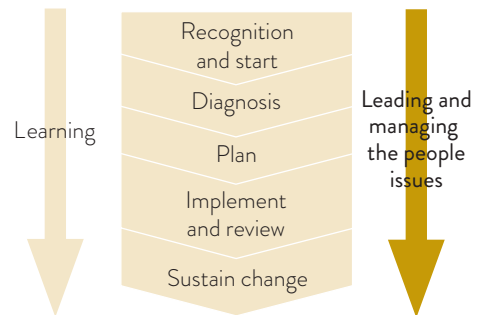
After reading this chapter you will be able to:

1. Recognize how change can affect individuals.
2. Understand the importance of their assumptive world.
3. Recognize how a disruption to their assumptive world can affect physical and mental wellbeing.
4. Explain how people adjust to change in terms of a series of stages of psychological reactions.
5. Explain why different individuals or groups might react to the same change in different ways.
6. Intervene in ways that will facilitate an individual's progress through each stage of psychological adjustment.

Leaders need to be alert to how others are being affected by change, to understand what they may be experiencing, and to know what they can do to support those who are vulnerable, anxious or have doubts about their ability to cope. This chapter addresses the way organizational members experience change, irrespective of whether they view it as an opportunity or a threat. It examines the individual's response to change as a progression through a number of stages of psychological reaction. It also considers how an understanding of the way individuals react to change can help those leading the change to plan and implement it in ways that will maximize benefit and minimize cost for the organization and individual organizational members.

Organizational change involves contextual or situational factors, such as technology, structures, systems and required competences. This is well understood, but it also involves a series of personal transitions for all those affected. Bridges (1980) suggests that while many managers are wise about the mechanics of change, they are often unaware of the dynamics of the transition.

Personal transitions are important because, although some situational factors can be changed relatively quickly, the new organizational arrangements may not work as planned until the people involved let go of the way things used to be and adjust to the new situation.



THE NATURE OF PERSONAL TRANSITIONS

Individuals, like organizations, can be confronted with both incremental and discontinuous changes. Some changes happen slowly, for example ageing. This process of incremental change rarely presents any abrupt challenges to the assumptions people make about how they relate to the world around them. But this is not the case for all types of change. A sudden merger and the announcement that key personnel will have to reapply for their jobs in the new organization will raise many questions in the minds of those affected. This is an example of a change that poses a serious challenge to an individual's

'assumptive world'. Parkes (1971) argues that this assumptive world is the only world of which we are aware. It includes everything we know or think we know. It affects our interpretation of the past and our expectations of the future, our plans and our prejudices. Any or all of these may need to change as a result of an organizational change, whether or not these changes are perceived as gains or losses.

Dhanaraj and Kohlriese (2020) point to some the assumptions that may be challenged following a transition. For example, assumptions about attachments (Who am I connected to?), territory (Where do I belong?), structure (What is my role?), identity (Who am I and what do I stand for?), future (Where am I going?), meaning (What is the point?) and control (Who do I control and who controls me?).

✓ EXERCISE 22.1 Identify how a big bang disruption can affect a person's assumptive world

Big bang disruptions (such as the Covid 19 pandemic) are unanticipated changes that suddenly affect many aspects of economic and social activity.

Reflect on one of the following: your own experience of a big bang disruption, your observations of how people you know have been affected by this kind of change or reports of how others seem to have been affected in the past.

Identify some of the assumptions that people make about how they relate to the world around them can be challenged by such disruptions and consider how these challenges can affect their wellbeing.

When changes are lasting in their effects, take place over a relatively short period of time, and affect large areas of the assumptive world, they are experienced as personal transitions. Those leading a change might perceive the promotion of a team member to team leader as a simple and quickly accomplished organizational change. However, from the perspective of the individual who is promoted, the personal transition associated with this change might be a more protracted process. It might be difficult for the newly promoted team leader to let go of their former role as team member, and the close friendships this involved with some colleagues and the distant, businesslike relationships it involved with others. The newly promoted team leader might feel isolated in the new role and be unsure about how to behave towards others, especially subordinates who used to be both colleagues and close friends. It might take some time and quite a lot of experimenting to discover a style of managing that works. In some cases, the individual may be so unhappy with the new role that they might give up the struggle and resign, leaving the change manager with the job of finding a new team leader.

Loss of employment, for example through redundancy or early retirement, is another example of a personal transition. Parkes (1971) explains that the loss of a job deprives a person of a place of work, the company of workmates and a source of income. It also removes a familiar source of identity, self-esteem and sense of purpose. Adjustment to this change will require, for example, new assumptions about the way each day will be spent and sources of income. It might also affect the individual's faith in their capacity to work effectively and earn a living. This kind of disruption to their assumptive world will cause an individual to set up a cycle of changes aimed at finding a new fit between self and the changed environment.

Even the loss of a job that was wanted but not secured can be difficult to cope with because a person's assumptive world contains models of the world as it is and also as it might be. People who might be promoted to a managerial level rehearse in their mind the world they hope to create. They engage in a kind of anticipatory socialization, aided by the rich imagery of their comfortable new office, challenging assignments and respectful subordinates. It may be almost as hard to give up such expectations and fantasies as it is to give up objects that actually exist. Thus, the people who are not promoted may actually lose something important and may have to make new assumptions about how things will be in the future.

Marks (2007, p. 724) observes that in many work organizations, discontinuous transitions have become a way of life: 'an acquisition, followed by a downsizing, a restructuring, a change in strategy, a subsequent restructuring, another wave of downsizing and so on'. He argues that the effects of stressful events are cumulative and the costs of ongoing change mount. He refers to O'Toole (1995), who notes that persistent discontinuous change is not a natural condition of life, and that resistance is to be expected. He echoes Burke (2002), when he goes on to argue that the phenomenon of resistance to change is not necessarily that of resisting the change per se, but is more accurately a resistance to losing something of value to the person – loss of the known and tried in the face of being asked, if not forced, to move into the unknown and untried.

Big-bang disruptions can seriously disturb the assumptive world of many employees. Dhanaraj and Kohlriese (2020) note that the personal disruption following a pervasive big-bang disruption, such as the COVID-19 pandemic, might not be confined to what has happened at work. Some employees may have lost loved ones, and the loss may have been compounded because they were unable to attend the funeral to say their goodbyes or share their grief with others. They report being continually surprised by how pervasive unresolved grief can be and how often the symptoms go unnoticed or undiscussed by colleagues and managers at work. Dhanaraj and Kohlriese assert that the negative impact of unresolved grief can be considerable for both the individuals affected and the organization; thus it is important that managers and others at work are aware of how personal transitions can affect colleagues, and understand what they can do to help them adjust to their new circumstances.

THE PERSONAL COST OF COPING WITH TRANSITIONS

Personal transitions require those affected to engage in some form of coping behaviour. Holmes and Rahe (1967) developed the social readjustment rating scale that attributed mean values to the degree of adjustment required after individuals experience a series of life events. The scale was originally constructed by telling 394 subjects that marriage had been given an arbitrary value of 50 and asking them to attribute a score to 42 other life events, indicating whether each life event would require more or less adjustment than marriage. The mean values attributed to the 43 events included in the social readjustment rating scale ranged from 100 for death of a spouse to 11 for a minor infringement of the law.

'Social readjustment' was defined in terms of the amount and duration of change in one's accustomed pattern of life following a life event, irrespective of the desirability of the event. Various retrospective and prospective studies using the social readjustment rating scale, reported by Holmes and Masuda (1973), found that the magnitude of life change is highly significantly related to the time of illness onset. An example of a prospective study of this relationship is one that involved recording the life changes experienced by 2,500 officers and enlisted men aboard three US navy cruisers. It was found that there was a clear correlation between life changes experienced in a given period before the cruisers put to sea and the onset of illness during the period at sea. The studies reported by Holmes and Masuda indicate that the higher the score over the past 12 months, the greater the likelihood of illness onset over the next 12 months.

Spence et al. (2019) argue that we should exercise caution interpreting findings from this kind of checklist because context can affect how different people experience a particular life event. Nonetheless, the social readjustment rating scale has been used to provide a useful indicator of potential problems. You can find a copy of the social readjustment rating scale at www.simplypsychology.org/SRRS.html.

The relationship between life change and illness susceptibility highlights the personal cost associated with adjusting to change, irrespective of whether the change is viewed as desirable or undesirable. It also points to the possibility that different people may react to the same organizational change in different ways, because for some it is an isolated event, whereas for others it is one of a number of changes, at work and elsewhere, that could push them towards a major life crisis.

Adjusting to organizational change

As previously discussed, when individuals adjust to organizational changes that are lasting in their effects, take place over a relatively short period of time, and affect large areas of the assumptive world, they experience a process of personal transition. Exercise 22.2 invites you to reflect on how you have reacted to a change that involved a personal transition. The information generated by this exercise will enable you to compare your reactions with the typical pattern of reaction described by the stage model of transition presented later in this chapter.

✓ EXERCISE 22.2 Your experience of a transition

Think of a change that was lasting in its effects, took place over a relatively short period of time, and affected the assumptions you made about how you related to the world around you. Examples of this kind of change could be redundancy, a change in employment, promotion, relocation, bereavement, illness or accident that affected your mobility or some other aspect of your functioning, marriage, or the birth of your first child. For the purpose of this exercise, the change need not be an organizational change.

Answer the following questions.

Entry	When did you realize that the transition was to take place?
	How did you know?
	What did you feel at the time?
	What did you do/how did you behave?
During the transition	Did your feelings and/or behaviour change during the transition?
	Are you able to identify any stages that highlighted differences in the way you reacted to the change? If so, what were these stages?
Exit	When did you realize that your transition had ended? How did you know?

Think about your answers to the questions posed in Exercise 22.2 when the stages of psychological reaction to a change are considered below.

THE PROCESS OF PERSONAL TRANSITION

Organizational change involves the ending of something and the beginning of something else. For example, it might involve the introduction of a new organizational structure, a more automated production process, revised procedures, the merger of two units, the closure of a plant, a redundancy programme, job transfers, a new project, or a promotion. While these changes might be carefully planned and happen on a predetermined date, it might be some time before those involved have adapted to their new circumstances. Managers need to develop an understanding of how people respond to change. They need to know the course of events associated with the process of transition and the kinds of actions they can engage in to facilitate adaptation.

A model of change as a personal transition

Bridges (1980, 1991) devised a model that conceptualizes a personal transition as beginning with an *ending* and then going on to a *new beginning* via a *neutral zone*. These three phases are not separate stages divided by clear boundaries. Phases can overlap and an individual can be in more than one phase at any one time.

Endings involve letting go of the old situation and the personal identity that went with it. It is impossible to fully engage in a new role or have a new purpose until those involved have let go of the old role or old purpose. For example, as noted above, a promotion, especially when it is in the

same work group, involves letting go of the role of group member and internalizing the new role of group leader. Fink et al. (1971), drawing on the work of Lewin, argue that every human system has within it forces for the maintenance of the status quo and forces for growth. While these forces tend to operate against each other, the balance between maintenance and growth is constantly shifting. Endings are often associated with a predominance of maintenance forces that manifest themselves in a resistance to change and a reluctance to let go.

The neutral zone is the in-between state. It involves a recognition of the need to change and uncertainty about the nature of more desirable end states. It is a period of disorientation, self-doubt and anxiety, but it can also be a period of growth and creativity in which new opportunities are identified. However, there is a danger that people may be so uncomfortable with the ambiguity and disorientation associated with this stage of transition that they push prematurely for certainty and closure. Consequently, they may lock on to the first opportunity that offers any promise of a more satisfactory state of affairs and, in so doing, lock out the possibility of a creative search for better alternatives.

Beginnings involve reorientation to a new situation and the development of a new identity. Initially, the forces for growth predominate but, eventually, as the new situation is more clearly defined and a new identity is internalized, these become balanced again with forces for maintenance.

The stages of psychological reaction

People going through change experience a variety of emotional states. Transitions typically progress through a cycle of reasonably predictable phases, as described below. This applies to all kinds of transitions: voluntary and imposed, desirable and undesirable. There is a widely held view that, in each case, the person experiencing the transition will have to work through all the stages if the transition is to be successfully completed. Understanding this process is important because an

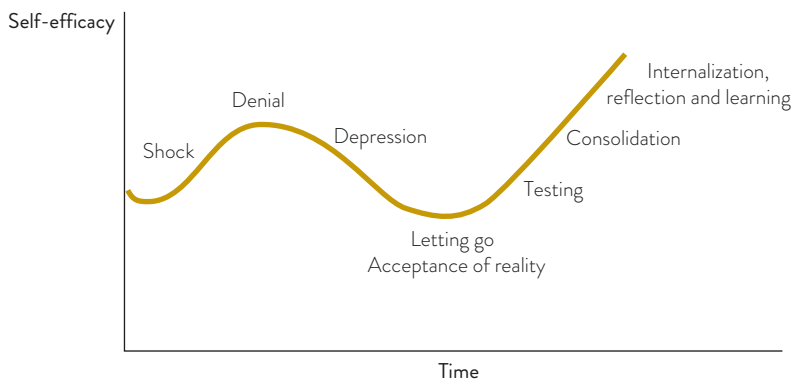


Figure 22.1 Transition phases

Source: J. Hayes and P. Hyde (1996) *Transitions workshop, unpublished manual*. Hyde Management Consulting.

employee's emotions can significantly affect their efficacy, expectations and their commitment (Helpap and Bekmeier-Feuerhahn, 2016).

The transition phases presented in [Figure 22.1](#) reflect variations in self-efficacy and a person's belief in their ability to exercise control over the situation. [Figure 22.1](#) was developed by Hayes and Hyde (1996) from an earlier version that originally appeared in *Transitions: Understanding and Managing Personal Change* by Adams, Hayes and Hopson (1976). Each phase is now discussed.

Shock/awareness

When people have little warning of changes, they often experience the initial phase of a transition as a shock. Depending on the significance of the change for them, they may feel overwhelmed and paralysed. Feelings of anxiety and panic can undermine their ability to take in new information, think constructively and plan. This leads to a state of 'immobilization'. People behave as though they are on 'autopilot' and show little response to new developments. While their mood may be more positive if the transition is perceived as a desirable gain, for example winning first prize in the lottery, they may still experience a state of immobilization and have difficulty planning and taking constructive action. In those circumstances where people develop a gradual awareness of a pending change, they

often focus on what they might lose and engage in ‘worry work’ that diverts their attention from other matters that might require their attention. The intensity of this phase will be influenced by the degree of preparedness and the desirability of the transition – immobilization will be greater when the transition is unexpected and unwanted.

Denial

This phase is characterized by a retreat from the reality of change. Negative changes may be denied or trivialized and attention may be displaced onto other, more immediate but less important matters. Energy and activity are devoted to the known and the familiar and any perceived threat to the status quo is managed by behaving in habitual ways. Clinging on to the past and refusing to consider the need to change can lead to a reduction in anxiety. Anything or anyone who challenges this false sense of security is likely to provoke an angry response. Resistance to change is at its highest point. Positive changes may induce euphoria together with an unwillingness to consider any possible negative consequences. In some cases, denial may be functional if it provides the opportunity to recharge ‘emotional batteries’ and helps a person face up to the need to change.

Depression

Eventually, the reality of the change becomes apparent and the individual acknowledges that things cannot continue as they are. (In terms of Bridges’ model, this corresponds to the start of the neutral zone.) This provokes depression often associated with a feeling that the situation is beyond one’s control. This phase may be characterized by anger, sadness, withdrawal and confusion. This depressed mood occurs, even when changes were initially embraced enthusiastically, whenever practical difficulties are encountered. It is in the depression phase therefore that the change really starts to be experienced as stressful. If the change was a voluntary one, this may be the point at which the person gives up. In involuntary changes, the person may seek to leave the situation.

Letting go/acceptance of reality

This phase involves accepting reality for what it is. It implies a clear letting go of the past. This may be experienced as a ‘little death’ and often entails a process of mourning. At this point, it can help to remember that the lowest ebb is the turn of the tide.

Testing

A more active, creative, experimental involvement in the new situation starts to take place. New ways of behaving and being are tried out. More energy is available but anger and irritability may be easily aroused if the new behaviour is not successful. This phase may involve trial-and-error behaviour or a more active plan, do, study, act (PDSA) cycle (see Change Tool 13.4). As some patterns are found that seem to work, this phase gradually gives way to the next.

Consolidation

Out of the testing process come some new ways of being and behaving that are gradually adopted as the new norm. This corresponds to the beginning stage in Bridges’ model. This stage progresses in parallel with testing but, to begin with, there is often more testing and rejecting than testing and consolidating. It involves reflecting on new experiences and assessing whether they offer a basis for a constructive way forward. Sometimes, there is little consolidation. Early experiments with new roles and relationships are rejected and the person experiencing the transition learns little from the experience. When consolidation occurs, it involves reflecting on the new experience

(the outcome of a test) and using any learning to build on this and inform the choice of further 'testing' experiences.

Internalization, reflection and learning

The transition is complete when the changed behaviour is 'the norm' and happens subconsciously, and is the new natural order of things. Ideally, the past has been left behind and little or no 'unfinished business' remains. Reflection is a cognitive process involving reflecting on what all the activity and emotion have really meant. It is at this point that learning and personal growth, which may benefit future transitions, may be recognized.

✓ EXERCISE 22.3 Using your experience of a transition to test the utility of the stage model of psychological reaction

At this point, you might find it interesting to reflect on the answers you gave to the questions in Exercise 22.2. Does the stage model of psychological reaction presented above provide a useful conceptual framework for understanding the process of adjustment you went through?

SOME OBSERVATIONS ON THE STAGE MODEL OF TRANSITION

Each individual's experience of a transition will be influenced by a number of factors. These include the importance of the transition, whether it is perceived as a gain or a loss, the intensity of its impact, the existence of other simultaneous transitions (and the magnitude of any associated life crises), personal resilience and so on. Thus, it follows that there can be no absolutely standard pattern of reaction. These are some possible variations:

- The wave (shown in [Figure 22.1](#) above) can be shallower or deeper and the overall shape of the curve may be skewed one way or the other. For example, if the change is perceived as a desirable opportunity, the individual might find it easier to let go of the past, whereas if it is perceived as a threat or a loss, the individual might be reluctant to let go and resist the change for as long as possible.
- The time taken to pass through all the phases can vary greatly. Just as some people take longer than others to come to terms with the loss of a loved one, so organizational members can vary in terms of the time it takes for them to adjust to a work-related transition.
- Although presented as a purely linear process, people may regress and slip back to an earlier stage in the process.
- People can get stuck at any phase and not complete the cycle; for example, they may continue to deny the need to change or fail to recognize the new opportunities associated with the change.

Where multiple transitions are involved, people handle the situation in different ways. Some people keep the transitions firmly compartmentalized and deal with one at a time; others throw their energy into one as a displacement activity to get away from another, which is therefore held in denial; in other cases, one major transition predominates and swamps the others.

Implications for individuals and change managers

Hayes and Hyde (1996) summarize some of the implications for individuals and change managers going through a transition.

For individuals:

- It takes time for them to make the adjustments required in transitions.
- It can help them to know that their own experience is normal, it will involve ups and downs, and it will eventually come to an end.
- The process can be managed: there are things they can do to facilitate their own transitions.

For change managers:

- It is important to recognize that there will often be a time lag between the announcement of a change and an emotional reaction to it: it is easy to mistake the apparent calm of the immobilization and denial phases for acceptance of the change.
- Because any given change will have different implications for different individuals or groups, different parts of the organization will progress through the cycle at different rates and in different ways.
- Change managers need to be aware that they will probably be at a different stage to other organizational members. They tend to know about the change before others, so it is not unusual for them to have reached an acceptance of change long before others. This can create potential for ineffective communication.
- The cycle cannot be avoided, but there is much that change managers can do to facilitate people's passage through it.

FACILITATING PROGRESS THROUGH A TRANSITION

Here, we outline some of the interventions change managers can implement to help facilitate other people's progress through a transition. When discussing ways of helping organizational members to adapt to discontinuous changes such as a merger, acquisition, downsizing or restructuring, Marks (2007) suggests that those leading the change can intervene in ways that, on the one hand, weaken the forces that encourage them to hold on to the status quo and, on the other hand, strengthen the forces for accepting the new situation. He argues that leaders can weaken forces that maintain the status quo by conveying empathy and understanding and letting people know that they are aware that circumstances are difficult for them. They can also engage people and help them to understand that the change is necessary (as Stephen Elop did when he sent his 'burning platform' memo to all staff at Nokia – see Example 16.5).

Marks (2007) suggests that leaders can help people accept the new reality that might, for example, follow a restructuring by energizing those affected by the change and getting them excited about the possible benefits that might be available after the change, and by clarifying expectations about what will be required of them in the post-change situation. One way of doing this is to involve them in designing that bit of the change that will affect them, thereby helping them to develop a sense of control.

Often, leaders need to help others progress through the phases of psychological reaction discussed above in order to stop them becoming stuck at a particular point in the process. The interventions presented below are grouped in relation to each phase of the transition process. What follows is not meant to be a prescriptive list of what the change manager should do. Rather, it is a set of suggestions, based on observations and anecdotal evidence of what seems to have worked in practice, supplemented by managers' reports about what they have done that appeared to help others to manage their personal transitions.

Shock

The shock reaction associated with the announcement/discovery of a change affecting an individual's assumptive world can sometimes be minimized by preparing the ground and creating a climate of receptivity to change by providing timely information and opportunities to be involved in relevant decision making.

If this is not possible, the change manager might consider possible ways of announcing the change. Anecdotal evidence suggests that the following points might be worth considering:

1. *Announcing the change:*
 - It often helps to show empathy and understanding for how people will feel, for example: 'I know this will be upsetting for you and I feel very sad about it myself, but ...'
 - Should questions be encouraged?
2. *Who should make the announcement?:*
 - This might be a senior manager, in order to signal the importance of the change and the organization's concern for the people involved.
 - Alternatively, it might be decided that a relatively junior manager should make the announcement because they have a better relationship with those affected.
3. *Timing:*
 - Should the announcement be made simultaneously to all staff or should some be told before others?
 - Should people be told as soon as possible or should the announcement be delayed?
4. *Method:*
 - Should it be done face to face, via a video link, by email or by letter?
 - In face-to-face encounters, it is important to keep calm and avoid becoming defensive or aggressive in the face of questions.
5. *Content:*
 - Should a consistent message be given to all?
 - How much information should be communicated?
 - Should the message be kept as simple as possible?
 - Should explanations be given about why the change is necessary?

It is important to allow time for people to digest the information and share their feelings with others. When people are in shock, leaders need to recognize that:

- performance might be temporarily impaired and, in some circumstances, this might lead to dangerous or costly consequences, which could influence the timing of the announcement
- some people might need more support than others.

Denial

Those leading change need to diagnose what it is that is being denied, for example the change isn't necessary, is not real, does not affect me and so on. They can help those in denial by:

- gently and supportively confronting what is being denied
- repeating the message

- drawing people's attention to relevant examples, evidence and experience that demonstrate that the change is happening
- arranging demonstrations of what the change will involve, if possible
- establishing and keeping to a timetable to provide milestones and evidence of change
- finding ways to ensure that they have to engage with the reality of the change
- taking early action if at all possible – the longer the gap between the announcement of a change and the change taking effect, the easier it is for an individual to ignore that the change is really happening
- breaking the ice by getting people to do practical things related to the change.

Depression

Leaders can intervene in order to help others understand and accept the situation by:

- providing support
- listening
- adopting an accepting and non-critical reaction to their expression of feelings.

They can also help others to work on their feelings about the situation by:

- helping them to get it off their chest
- providing space to grieve
- providing appropriate opportunities to vent emotion.

Leaders can also help them to identify opportunities to move on by:

- not letting them wallow in feeling bad: gently confronting and challenging them
- helping them to identify other things they are good at
- providing further information about the change to help them envisage what the future will be like
- helping them to identify options and possible benefits
- helping them to focus their attention on the things they can do or can influence
- where possible, providing opportunities for the exercise of influence, for example consultation and involvement.

Letting go/acceptance of reality

Leaders can help people let go of the past by:

- explaining the need for change in terms of benefits rather than problems associated with past practice – rubbishing the past can provoke a defensive reaction
- providing challenging targets associated with the movement towards a more desirable state
- drawing attention to deadlines
- eliminating the symbols of the past in the workplace, for example changing the stationery and logo after a merger
- reminiscing in a way that leads to a process of taking forward the best from the past
- marking the ending by rituals and ceremonies, wakes and leaving parties
- letting people take souvenirs and mementoes home, for example taking a now redundant uniform or a sample of what they used to produce.

Testing

Some of the ways in which those leading change can encourage testing include:

- creating the space, time and resources required to test
- promoting creative thinking
- helping people to identify options
- encouraging risk taking and experimentation
- discouraging premature closure by suggesting that they should try to identify more than one possibility before making a decision
- avoiding punishing those who make mistakes
- creating new processes, tools and competences that will help people to help themselves
- eliminating the drivers of old behaviours
- acting as a mentor
- praising and supporting successes
- encouraging networking and cross-fertilization
- providing feedback.

Consolidation

Consolidation can be facilitated by:

- reviewing performance and learning (more on this below)
- helping others to identify the desirable characteristics of the new state
- recognizing and rewarding achievement
- getting them to help others and share their experience
- helping them to build on successes
- broadcasting their successes.

Internalization, reflection and learning

Internalization, reflection and learning can be facilitated by:

- helping them to review the experience of change – asking questions, running review workshops and so on
- conducting formal post-implementation reviews
- getting them to tell stories and share their experience.

MANAGING CHANGE IN PRACTICE 22.1 Debbie Middleton: Motivational coaching to help people navigate transitions

In her video, 'Motivational coaching to help people navigate transitions', which you can watch on the book's companion website at bloomsbury.pub/hayes-change-management-6e, Debbie talks about what happens when people are forced to let go of their current job and move to a different role within the same organization, or when they are released from their job and made redundant. Part of her role is to help them navigate this kind of transition. For many who are made redundant, the journey can be much longer than it used to be and, while it can lead to them securing a job similar to the one they left, it often involves moving to a different kind of work, self-employment or even early retirement.

SUMMARY

This chapter addresses the way organizational members experience change. Individuals, just like organizations, can be confronted with incremental or discontinuous changes. Incremental changes do not present any serious challenge to the assumptions people make about how they relate to the world around them, but discontinuous changes do.

An individual's response to change, irrespective of whether the change is viewed as an opportunity or a threat, is presented as a progression through a number of phases of psychological reaction.

Understanding the way individuals react to personal transitions can help managers plan and implement organizational change in ways that will maximize benefit and minimize cost for both the organization and those affected by the change.

The chapter closes with a review of what managers can do to support others through change.

✓ EXERCISE 22.4 Reflect on what you have learned from working on the eight chapters in Part V

Based on what you have read and learned from the various exercises in Part V, identify a short list of questions that could help you and others to assess how well the issues that need to be managed when 'leading and managing people issues' are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part V at the end of the Introduction to Part V. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

Visit bloomsbury.pub/hayes-change-management-6e for further learning resources.

IMPLEMENTING CHANGE AND REVIEWING PROGRESS



INTRODUCTION TO PART VI

Part VI considers some of the issues that change managers need to attend to when implementing change and reviewing progress.

Chapter 23 Implementing change

Chapter 23 examines implementation in the context of one company acquiring control of another (KeyChemicals' acquisition of Eco-Pure) and uses this case study to highlight some of the factors that can affect the success of attempts to implement change. An acquisition example is used because it is a type of change that will be familiar to most readers.

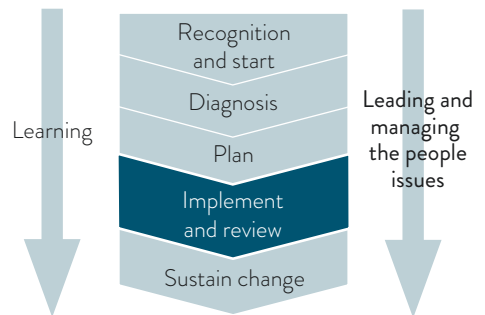
Implementation is not a one-off activity. It is an ongoing process often closely intertwined with other ongoing activities such as diagnosis and planning. Sometimes, these activities are so closely intertwined that it can be difficult to distinguish the precise nature of implementation, especially when an attempt to implement a change fails to deliver the expected outcome. In such circumstances, the failure to achieve the desired result can provide those leading the change with new insights (implementation becomes diagnosis) and these insights inform new plans that are then implemented, and so the sequence continues.

A number of implementation issues that those leading a change need to attend to are discussed.

Chapter 24 Reviewing and keeping the change on track

Chapter 24 considers how monitoring and reviewing the implementation of a change can help managers to adjust and adapt the change plan to ensure that the organization moves towards a more desirable future state.

Attention is given to the kind of information those leading change need in order to determine whether interventions are being implemented as intended and whether they are having the anticipated effect.



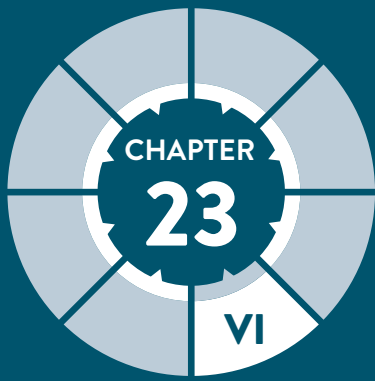
✓ EXERCISE PART VI Useful questions for reviewing your approach to implementing change

In Chapter 2, after discussing each stage in the process model of change management, your attention was drawn to a number of questions that might help you assess how well a change is being (or was) managed. All these questions are summarized in [Figure 2.3](#) and the questions relating to implementing the change and reviewing progress are listed below:

- Do change managers communicate a compelling vision and set realistic goals?
- Is uncertainty managed in a way that maintains commitment?
- Are stakeholders being managed effectively?

- Is there sufficient coordination between those involved in implementing the change?
- Do change managers seek feedback in order to identify and eliminate impediments to implementation?
- Are interventions being implemented as intended?
- Are interventions producing the desired effect?

Reflect on and review these questions and, after reading the two chapters in Part VI, revise this list and generate your own set of useful questions that you might find it helpful to refer to when you are leading a change.



IMPLEMENTING CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Understand the issues that have to be attended to in order to ensure that plans for change are implemented as intended.
2. Explain why implementation is often a multistep process.
3. Recognize how the quality of diagnosis and planning can affect implementation.
4. Communicate in a way that will facilitate implementation.
5. Identify and manage those stakeholders who can affect outcomes.
6. Act in ways that promote alignment and coordination.
7. Adopt responsible management practices that will win the support and protect the wellbeing of those affected by the change.

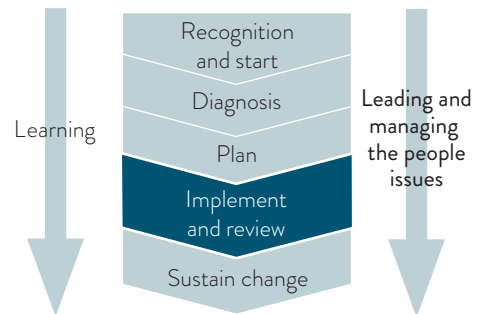
Implementation involves translating intentions (vision and related plans for change) into actual change efforts. This chapter considers how and when implementation occurs in the change management process and explores the critical contribution that managing people issues can make to implementation success.

A ONE-OFF ACTIVITY OR A MULTISTEP PROCESS

Sometimes, implementation occurs as a one-off, discrete step in the change process. An example could be where a change is relatively small scale, the end point has been specified in advance, and there is little resistance because all those involved believe they will benefit from the change. But often situations are more complicated than this and implementation becomes a multistep process.

If there is a crisis that requires urgent action, leaders may implement some immediate steps to save the situation and avoid possible dire consequences. But this crisis implementation may just be a holding operation, buying time for those in charge to undertake a more thorough diagnosis that will provide the basis for implementing more carefully thought-out plans.

There may also be circumstances where an initial diagnosis may expose a problem but fail to reveal precisely what it is that is causing it. Those responsible for improving the situation may be forced to do the best they can with the available data and formulate a tentative cause-and-effect hypothesis. Implementation, in these circumstances, involves testing this tentative hypothesis. Did the intervention confirm the hypothesis and move the target (individual, work group, department or organization) in the desired direction? If so, those leading the change may implement similar



interventions to reinforce the direction of change. If not, they may review their diagnosis, formulate a different cause-and-effect hypothesis, and implement alternative actions to secure some improvement. This process may continue, with those leading the change implementing a series of adjustments to achieve the required change.

In different circumstances, those leading a change may envision an end state that is not welcomed by others, and these others may resist their leaders' initial attempt to implement the change. This resistance may force those leading the change to modify their vision and implement different interventions designed to achieve a revised (more acceptable) end state.

With few exceptions, even in those cases where it is possible to identify a desirable end state, and where those leading the change have a good understanding of the actions required to achieve this state, implementation will rarely be a one-off task. It is more usual for it to manifest as an ongoing activity that occurs at several points in the change process. This is well illustrated by the case of KeyChemicals' acquisition of Eco-Pure, considered below. As noted in Chapter 2, planning, implementation and diagnosis can be so closely intertwined that it can be difficult to distinguish one from the other, especially in those circumstances where implementation fails to deliver the expected outcome. In the KeyChemicals case, managers reflected on past failures in order to gain new insights (past implementation contributed to current diagnosis) to inform how they should act to implement desired changes in their current situation.

THE ROLE IMPLEMENTATION PLAYED IN KEYCHEMICALS' ACQUISITION OF ECO-PURE

The iterative nature of implementation and some of the factors that can affect whether or not an intervention will be successful are explored using the example of one company (KeyChemicals) acquiring another (Eco-Pure). This example has been chosen because acquisitions are a common type of change that will be familiar to most readers.

There were several distinct steps in KeyChemicals' acquisition of Eco-Pure:

- The decision to acquire another company (triggered by the recognition of an opportunity) and the identification of potential acquisition targets (the search for acquisition targets had to be planned and then implemented).
- Due diligence to ensure that the chosen target (Eco-Pure) would deliver the anticipated benefits (again, this step had to be planned and then the plan had to be implemented).
- The development of high-level and detailed plans for acquisition and integration.
- Integrating the two companies, which involved implementing the high-level and detailed plans.

KeyChemicals' decision to acquire another company

The motive for most acquisitions is some form of value creation. Some of the most frequently cited strategic objectives are considered in Chapter 13 and include market penetration, market entry, product extension and technical expertise. Case Study 23.1 describes how KeyChemicals' strategic objective led to the identification of Eco-Pure as an acquisition target.

CASE STUDY 23.1 KeyChemicals' acquisition of Eco-Pure: recognizing the opportunity and starting the process

KeyChemicals (as it will be referred to here) is a Swiss company. After a 30-year period of steady growth, based on the acquisition of other businesses, the original Vevey-based distributor of chemicals to the food processing industry was transformed into a distributor of a wide range of specialist chemicals operating across most of Europe. After spending four years consolidating past acquisitions, reducing costs and increasing margins, the CEO recognized that the company was

ready to embark on a new phase of growth and persuaded the board of directors to resume the company's previous strategy of acquiring existing businesses.

After reviewing the company's strengths and weaknesses and the possibilities for generating more shareholder value, the board decided to search for acquisition targets that would add value by providing access to new markets. The CEO implemented the search for companies that KeyChemicals might acquire by working with the marketing and finance directors to identify possible acquisition targets that could help KeyChemicals achieve this strategic goal. They enlisted a merchant banker to assist with the development of a search strategy, which they quickly implemented.

Within a few weeks, they identified a short list of three acquisition targets and presented their findings to the rest of the board. The three were whittled down to one, Eco-Pure, a family-owned business that dominated the water treatment chemicals market in Denmark. The company was attractive because a strategic analysis indicated that acquiring the company would be a cost-effective way of breaking into this market.

The owners were approached and indicated a willingness to consider the possibility of selling the company.

- 1. Identify and list the issues you feel those leading the acquisition will have to attend to if it is to be implemented successfully.**
- 2. When you have read this chapter, reflect on the notes you have made here and consider whether your list needs to be amended in any way.**

Due diligence to assess whether the change will add value

Due diligence involves investigating a proposed change (in this case, the acquisition of Eco-Pure) to determine whether it will deliver the anticipated added value. In those circumstances where many issues have to be considered (as is the case with most acquisitions), it is not unusual for several people, including external specialists, to be involved. This can give rise to fragmentation, with different people investigating different issues, so it is essential that the different findings are amalgamated to provide the required overview. An added complication is that sometimes it can be difficult to access some of the required information.

Accessing information can be especially difficult if secrecy has to be maintained (a condition imposed by the owners of Eco-Pure) or the target's management team are hostile to the bid. In such circumstances, it can be difficult to obtain information about the target firm's management talent (particularly middle management talent), determine the compatibility of IT systems, or gather information about the target's organization culture. The information required to assess the target company's financial health, on the other hand, is usually more accessible. This abundance of financial data and lack of other information might not be a problem if the reason for acquiring a particular target centres on financial synergies. However, it could be a problem if, as in the case of the KeyChemicals' acquisition of Eco-Pure, the strategic objective is to gain access to new markets.

This kind of problem is illustrated by Case Study 20.1 on Connect2, where the buyers' failure to collect sufficient information about the company's management and technical infrastructure and employees' skill sets contributed to the failure of their ambition to expand the business and their bolder plan to merge it with two other businesses to create a media powerhouse. However, in the case of KeyChemicals, the CEO established a 'buy team' to plan and implement a careful process of due diligence in order to determine whether the acquisition of Eco-Pure would deliver the anticipated benefits (Case Study 23.2).

CASE STUDY 23.2 Due diligence for the acquisition of Eco-Pure

The CEO of KeyChemicals established a 'buy team' to gather and assess information about Eco-Pure and determine whether it should be acquired and, if so, on what terms. He convened an early meeting to plan what needed to be done. Most of those involved had been there when, in the past, KeyChemicals had acquired other companies, and the CEO invited them to reflect on what they could learn from their past experience. This was a very effective intervention that helped the buy team successfully implement this step of the acquisition process.

Members of the buy team attributed some of their past success to the quality of the advice they had received from external advisers, but recognized that some of this advice had diverted their attention away from some important issues. They remembered one acquisition that had not gone as well as anticipated because, following advice, they had been too focused on achieving 'early wins', linked to the sale of patents and related intellectual property, and had given insufficient attention to the impact this 'asset stripping' would have on those who worked for the acquired company. A member of the buy team had signalled this as a possible problem at the time but had been ignored by colleagues. The CEO's intervention alerted them to the need to pay attention to inputs from other members of the buy team.

They also recognized the importance of including people in the team who had relevant knowledge and experience. At this point in the process, the buy team included the CEO, two external advisers and the finance, marketing and HR directors, but, after assessing what needed to happen if the acquisition was to be successful, it was decided to include the head of operations.

While Eco-Pure's owners were cooperative throughout the due diligence review, they wanted to keep their intention to sell secret and were therefore unwilling to allow open access and permit members of the buy team to tour the company's premises and talk to staff beyond those who were members of the Eco-Pure board. The buy team had anticipated this and did all they could to secure information from third parties. Specialty chemicals is a relatively small world and members of the buy team were aware of sources who could provide information about Eco-Pure's systems, culture and key staff.

As the review progressed, the momentum gathered pace, but the CEO was careful to ensure that decisions were not rushed. He arranged frequent meetings where those who had been tasked to explore specific issues could share their findings, and he encouraged everybody to explore 'what-if' scenarios to identify new issues that might need to be considered.

The CEO's interventions to help those involved in the due diligence learn from past experience, review how the current investigation was progressing and identify emerging issues helped to ensure that this step of the acquisition process was implemented effectively. This kind of intervention can help facilitate the implementation of any kind of change.

Planning for implementation

The agreement to proceed with the acquisition triggered further iterations of diagnosis, planning and implementation, outlined in Case Study 23.3.

CASE STUDY 23.3 Planning the integration of KeyChemicals and Eco-Pure

While the KeyChemicals buy team was completing arrangements for the purchase of Eco-Pure, new people were drawn into the acquisition process to begin planning how the two companies would be integrated if the purchase was agreed. This was managed in two stages. The first involved the development of a high-level plan for achieving the strategic objectives, and the second built on this and involved formulating more detailed plans.

High-level planning

A useful starting point for planning the implementation of any change is to clarify the intended outcomes and prioritize key issues. In the case of an acquisition, one such issue is the degree of integration sought between the parent (acquiring) and target organizations. Hubbard (1999) argues that the strategic objectives driving the acquisition will determine the integration possibilities. For example, if a company is acquiring another in order to achieve financial synergies, this goal could be achieved even if the acquired company is given considerable autonomy. However, if the aim is to achieve economies of scale, then some degree of organization-wide or functional integration might be essential.

In the case of KeyChemicals' acquisition of Eco-Pure, the aim, which shaped the high-level plan, was market penetration. The plan recognized that if this aim was to be achieved, it would require

some degree of integration of sales and technical support. The high-level plan also included other ways of adding value.

Detailed planning: the acquisition blueprint

The acquisition blueprint – a detailed specification of what needs to be done – involves breaking the high-level plan down into a number of task-specific actions that can be implemented on a project-by-project basis. It specifies what actions are to be taken, when they will occur, who will be affected, who will be responsible for implementing them, and how they will take place. Case Study 23.4 describes how this was done when KeyChemicals was acquiring Eco-Pure.

CASE STUDY 23.4 Developing the acquisition blueprint

The crucial asset that made Eco-Pure an attractive acquisition target was the company's sales and technical support teams, because these two groups could help KeyChemicals penetrate the water treatment market in Denmark and provide a springboard for expanding into similar markets elsewhere. The 15 people who worked in these areas were technically competent, had excellent relationships with customers, and a deep knowledge of their businesses. It was essential that KeyChemicals developed a well-thought-out plan to integrate these teams into its own sales and technical support teams.

Key Chemicals already had two distribution depots in Denmark serving its existing non-water treatment business, one in Aarhus and the other in Copenhagen. Eco-Pure also had distribution depots at the same locations, so it was decided that one depot at each location should be closed in order to achieve operating synergies. This required the relocation of some equipment, the consolidation of inventories, and a large reduction in the number of depot staff.

The KeyChemicals and Eco-Pure tanker fleets were relatively unaffected. It was anticipated that only four drivers would be surplus to requirements and that early retirement and normal labour turnover would deliver this reduction within 6–12 months without the need for compulsory redundancies. Some of the remaining drivers had to be redeployed to work out of different depots.

There was some overcapacity of middle and senior managers, and it was decided that a small number of Eco-Pure's middle managers would have to be released, along with the finance, HR and operations directors. However, it was viewed as essential that Eco-Pure's marketing director should be retained.

Plans were also developed to integrate the IT systems, harmonize terms and conditions, communicate with customers and suppliers, and manage a range of other projects. Some of the new people who had been brought into the acquisition process were tasked to produce detailed plans to achieve these goals.



Photo by ThisIsEngineering RAEng on Unsplash

Implementing the plans: integrating the two organizations

It is not unusual for the implementation of the (sometimes many) different blueprint plans to end up being a complex task. The KeyChemicals management team navigated this complexity by giving careful attention to two issues. The first was prioritizing the implementation of those plans that could make a critical contribution to the success of the change – in this case, integrating the Eco-Pure sales and technical support teams into the business. The second was ensuring that all the various blueprint plans were aligned and that their implementation was coordinated.

MANAGING THE PEOPLE ISSUES: THE KEY TO SUCCESSFUL IMPLEMENTATION

There is an oft-cited apocryphal story about one acquisition where a failure to communicate with product development staff in the acquired company, whose wealth of technical talent was the reason the company had been acquired, led to an acquisition disaster. Many parts of the acquired firm were of limited value to the new parent company. Some production facilities were closed or relocated; the sales force was reduced; remaining staff were absorbed into parts of the new parent; and the head office was closed. The product development team watched these developments with mounting concern but nobody bothered to communicate with them about their future prospects. They feared the worst. The result was that the whole team left and, as a complete unit, joined a competitor organization.

This story illustrates the importance of attending to the people issues, especially communicating with those affected by the change. The KeyChemicals management team were careful to communicate the message that the Eco-Pure sales and technical support teams were of critical importance.

Engert et al. (2019) assert that communications are the glue that holds everything together, while Hubbard (1999) argues that planning for communicating about the acquisition is essential. She highlights four reasons:

- to coordinate the communication of 'secret' information during the early pre-acquisition phase, while continuing to communicate openly about day-to-day operational matters (as was the case with this acquisition)
- to coordinate internal and external messages
- to maximize the likelihood of successful communication on the day of the announcement
- to provide a contingency plan if early negotiations are leaked.

Example 20.1 illustrates the importance of this last point. The brother of a PCBtec employee overheard two senior managers talking about a pending merger when he was on a train. He texted his brother and the message quickly spread across the organization, which forced senior managers to call a site meeting before the end of the day to explain the situation. They had not anticipated that their negotiations would be leaked and had not given any thought to how they should react if it happened. The outcome was a communication fiasco, which led to a sudden drop in morale and commitment.

Careful communication planning can also reduce uncertainty and promote coordinated action.

Managing communications to minimize ambiguity

There is ample evidence that ambiguity can undermine the implementation of any change. In the case of acquisitions, ambiguous acquisition environments can create intergroup differentiation, and engender win-lose attitudes, confusion, anxiety and a general climate of mistrust. Effective communication can do much to reduce the uncertainties that unsettle organizational members; however, it is often sadly lacking. Chapter 20 reviews various communication strategies. The 'withhold and uphold' strategy (see Clampitt et al., 2000), which involves withholding information until necessary and, when confronted by rumours, upholding the party line, often typifies the approach adopted by managers in merger scenarios (see the PCBtec example mentioned above).

There are many reasons for this. Those leading the change may be reluctant to communicate information because they fear that unanticipated events may render this information incorrect. They may worry about making commitments that threaten their ability to respond flexibly to changes later in the implementation process, or they may fear that early communication could alert competitors or cause employees to leave. Good communications with staff are important because employees react to a paucity of information by fearing the worst and sharing their views with colleagues in ways that feed the grapevine and lead to even greater confusion and anxiety. If managers step in later to counter these growing uncertainties, their efforts may have only limited success because, by then,

employees will be suspicious about their intentions and reluctant to trust the belated information they receive.

One way of reducing these problems is to provide all employees with clear and unambiguous information about what is going to happen as a result of the change. In the case of acquisitions, good communication is essential throughout the process but is essential on day one because the impression the acquirer makes at the start of the process will influence how those affected will interpret all subsequent actions. However, effective day one communication requires considerable pre-acquisition planning. Hubbard (1999) makes the obvious point that if the acquiring organization has not done sufficient integration planning before the acquisition is announced, there will not be enough information of substance to communicate to employees. Similarly, even if the acquirer has the most well-developed acquisition plan, much of its value will be lost if it is not adequately communicated. This highlights the symbiotic relationship between good planning and successful implementation.

The provision of unambiguous information about what will change can help reduce employees' perceptions of possible dysfunctional outcomes and produce higher levels of organizational commitment (see Research Report 23.1). When designing their study, Schweiger and DeNisi (1991) compared the amount of information desired by an employee going through an acquisition with the information a newcomer to an organization might want. New recruits, like employees involved in a merger, face high levels of uncertainty that can result in dysfunctional outcomes.

'Realistic job previews' have been used to provide complete and realistic information about a job, including its positive and negative aspects, and have been found to be effective for reducing newcomers' uncertainty, bringing their expectations in line with reality, and helping them to cope with the transition to their new jobs. Studies show that new employees who receive previews tend to be more satisfied with their jobs and more committed to their organizations, experience less stress, and less likely to leave than employees socialized through more traditional methods (see Premack and Wanous, 1985). Realistic job previews appear to work by serving two functions: they reduce uncertainty and communicate to employees that their new employer cares about them and can be trusted.

RESEARCH REPORT 23.1 The realistic merger preview

Schweiger, D.M. and DeNisi, A.S. (1991) Communication with employees following a merger: A longitudinal field experiment, *Academy of Management Journal*, 34(1): 100–35.

Schweiger and DeNisi argue that the functions served by realistic job previews – reducing uncertainty and communicating that change managers care and can be trusted – are important to employees facing mergers and acquisitions. They adapted the realistic job preview concept and created a communication programme, which they called the 'realistic merger preview'. They tested the effectiveness of this approach by conducting a longitudinal experiment involving the merger of two Fortune 500 companies.

Data were collected in two plants: an experimental plant in which the preview was introduced and a control plant in which the merger was managed more traditionally. Employees in both plants received a letter from the CEO announcing the merger. This was the only information workers in the control plant received. Their plant manager, who was not aware of the realistic merger programme in the experimental plant, was simply told that further information would be coming as soon as it was available. In the experimental plant, employees were provided with much more information.

Schweiger and DeNisi report that the aim of the realistic merger programme was to:

- provide employees with frequent, honest and relevant information about the merger
- provide them with fair treatment
- answer their questions and concerns to the fullest extent possible.

They received information about layoffs, transfers, promotions, demotions, changes in pay, jobs and benefits. This information was communicated as soon as it was available.

A bimonthly merger newsletter was sent to each employee in the experimental plant containing details of changes the merger had created, together with answers to employees' questions. A telephone hotline was answered during working hours by a personnel manager who continually received updated information from the vice president of HR. Questions about general organizational changes were answered but not those concerning individual employees. After working hours, employees calling the hotline reached an answering machine. Answers to questions left on the answering machine were posted on bulletin boards around the plant, and most also appeared in the next issue of the newsletter. Finally, the experimental plant's manager had weekly meetings with the supervisors and employees of each of the eight departments in the plant. Separate meetings were arranged for each department to ensure that changes affecting that department could be specifically addressed, and weekly briefings were prepared jointly by the plant manager and the vice president of HR to supplement these meetings and maintain communication consistency and accuracy across the plant.

Following the merger announcement, employees in the experimental and control plants reacted negatively. However, once the realistic merger preview programme was introduced in the experimental plant, the situation in that plant began to stabilize. Schweiger and DeNisi report that, while uncertainty and its associated outcomes did not decline, they stopped increasing, and, over time, employees' perceptions of the company's trustworthiness, honesty and caring, and their self-reported performance actually began to improve and return to pre-announcement levels.

The results of Schweiger and DeNisi's experiment provide empirical evidence that open communications can reduce uncertainty and increase employees' perceptions that their company cares and is prepared to offer socioemotional support.

Hubbard (1999) argues that, after an acquisition, people expect change, such as redundancies, relocations and modifications to working practices, and although they may not welcome all such changes, they will generally be accepting of them so long as they are kept informed prior to events occurring and are treated fairly when they happen. She asserts that employees will react badly to being kept in the dark, being treated unfairly or being misled. Evidence suggests that employees prefer to know the truth rather than be fobbed off with platitudes.

In terms of Clampitt et al.'s (2000) typology of communication strategies, the realistic merger preview primarily involves an 'underscore and explore' approach (see Chapter 20). The change managers decided which issues they would communicate about (they *underscored* the key messages), but they also ensured that employees had the opportunity to discuss these issues with managers in order to *explore* how they would be affected by them. Those leading the change were also willing to respond to questions over the telephone hotline and in newsletters, indicating that they were willing to allow employees some freedom to influence the communication agenda, in line with the 'identify and reply' strategy (discussed in Chapter 20).

Communicating to ensure alignment and coordination

Those announcing the change need to communicate in a way that promotes a shared sense of direction and aligns people so they can work in a coordinated way to implement the new vision. This is particularly important for those who are given responsibility to manage various aspects of the change.

In the KeyChemicals/Eco-Pure case, these tasks included securing a modest reduction in the number of managers employed and more substantial reductions in depot staff, closing two depots and moving chemical stocks to new locations, assimilating the Eco-Pure sales and technical support teams, communicating with Eco-Pure customers and suppliers, consolidating customer databases and other information systems, harmonizing terms and conditions and so on.

When a change is complex and requires the implementation of a number of separate projects led by different managers, the resulting fragmentation can make it difficult to coordinate progress, and can cause confusion and waste when leaders make different assessments about what is required and prioritize different objectives. In the case of KeyChemicals' acquisition of Eco-Pure, great care was taken to ensure good coordination.

Managing stakeholders

Change managers need to be aware how the change will affect others and how this will influence their commitment and willingness to support the change. In Chapter 17, the importance of identifying and managing stakeholders is discussed and related to a healthcare provider's response to changes in Switzerland's healthcare regulations. The Triumph case presented in the Introduction to Part V illustrates how a new outsourcing project was threatened when key stakeholders began to withdraw their support after senior managers turned their attention to other issues. Those charged with implementing a change have to be aware of and know how to manage the political dynamics in the situation, because change often threatens stakeholders' interests, and this can motivate them to resist the change.

The KeyChemicals managers who were leading the acquisition took great care to ensure that all KeyChemicals staff who had a role to play in the integration process were carefully briefed, and they did everything possible to minimize the impact the change would have on Eco-Pure staff (Case Study 23.5).

CASE STUDY 23.5 Announcing the acquisition to Eco-Pure employees

After the acquisition had been finalized but before it was announced to employees working for Eco-Pure, all KeyChemicals staff who were to be involved in managing particular aspects of the integration received a confidential briefing. They were told about the acquisition and the strategic objectives, given an overview of the whole process, informed about key tasks, timescales and requirements for coordinating progress, and briefed about their individual responsibilities.

On day one, a team of senior managers held a meeting for all staff at Eco-Pure HQ and simultaneous announcements were made to meetings at both Eco-Pure depots. The announcement promised a positive future for the combined company and most, but not all, of the staff currently working for Eco-Pure. As far as was possible at the time, details of the planned changes were provided, together with information about who was likely to be affected and whether this would involve redeployment, retraining for new roles, or redundancy. Eco-Pure employees were provided with contact details for named individuals who had been designated as the first contacts and could provide them with further information about specific aspects of the change.

Promoting trust and procedural justice

Trust can be promoted by management practices such as participative decision making, support and the meeting of expectations (Allen et al., 2007). Organizational members value adequate notice before decisions are implemented and expect to receive adequate and accurate information. Many also want the opportunity to voice their concerns and have an input into the decision process.

Procedural justice and the promotion of feelings of trust are important because when organizational members feel they have been treated with respect and dealt with fairly, even if they are unhappy with the consequences of a decision, they will be less likely to engage in dysfunctional behaviours than when they feel they have received little support and have been unjustly treated. The importance of responsible and fair management is highlighted in Chapter 18.

If employees perceive unfairness in the way decisions are made about issues such as pay, allocation of roles and resources, relocation, severance and so on, this can have an adverse effect on their morale, organizational commitment and performance. Equity theory (Adams, 1963) holds that motivation is a function of fairness in social exchange and posits that if people feel they have been treated unfairly, they will take corrective action, which could involve behaving in ways that resist the acquisition. Greenberg's (1990) study of employee thefts as a reaction to underpayment inequity (see Research Report 20.1) indicates that people react better to bad news when they believe senior managers are sensitive to their viewpoints, decisions are adequately explained and justified, and are applied consistently and without bias.

Responding to pressure to deliver quick wins

Even when those implementing a change try to adopt respectful management practices, these good intentions can be undermined if they are under pressure to deliver quick wins. When the change being implemented is an acquisition, members of the acquired company can be quick to react if they feel they are being managed in a heavy-handed way.

Jemison and Sitkin (1986) suggest that when managers from the acquiring organization feel under pressure, this, coupled with an overconfidence in their own management capabilities, can lead them to adopt a heavy-handed approach, which typically involves imposing their way of doing things on the acquired business. They observe that when this occurs, the target firm's fundamental competences and capabilities, which may have been a part of what attracted the parent organization to acquire the target in the first place, are often dismissed or ignored. According to Jemison and Sitkin (1986), members of the acquired firm may experience this 'parent firm arrogance' in three ways:

1. They may perceive some measure of *interpersonal arrogance* in the way members of the acquired organization relate to them: 'Because we acquired you, we are smarter than you.'
2. They may perceive a degree of *cultural arrogance* and the presumption that the acquiring firm's style, values, beliefs and practices are superior.
3. They may perceive a level of *managerial arrogance* manifest in a presumption that the parent firm's systems and processes are superior.

Members of the acquired firm are unlikely to react well if everything they experience during the implementation phase signals that they are incompetent rather than just different.

The pressure to deliver quick wins is a common problem and not just associated with acquisitions. A consequence of this can be that managers become too focused on the 'bottom line' and give insufficient attention to managing the people issues that, as noted above, can make such a difference.

Providing socioemotional support

Employees develop global beliefs about the extent to which the organization values them and cares about their wellbeing. Rhoades and Eisenberger (2002) argue that these beliefs affect the degree to which they incorporate organizational membership into their social identity. Employees working for an organization that is being acquired can feel insecure, but those who feel that managers are doing their best to support them through the acquisition are less likely to feel alienated and more likely to identify with the merged organization than those who experience little socioemotional support.

Acquisitions and other changes are often experienced as discontinuities that disrupt the current equilibrium and jar people from their status quo. Some may perceive the prospect of change as an opportunity to be embraced, while others may perceive it as a loss of something valued, and may respond by 'holding on' rather than 'letting go' (see Marks, 2007). For them, adapting to their changed circumstances can be difficult and this can have an adverse effect on the success of the

acquisition. Those affected by a change typically react by going through a number of stages of psychological reaction, for example shock, denial, anger, feelings of helplessness and depression, before they can let go of their pre-change (pre-merger) organizational identity and begin to develop a new sense of identity with the post-merger organization. Some of the ways that managers can intervene to facilitate this process of adjustment are discussed in Chapter 22.

There are occasions when the discontinuity associated with an acquisition, or some other change, is great and largely unavoidable, but, even then, effective communication, coupled with a genuine concern for the welfare of those affected, can help those involved to cope with the consequences of the change.

Learning from past experience and reviewing progress

The effectiveness of implementation can be enhanced if those involved learn from their experience. In the KeyChemicals case, the CEO acted proactively to promote learning. Early on in the acquisition process, he encouraged members of the initial buy team to reflect on their past experience of managing acquisitions in order to identify what they needed to attend to when seeking to acquire Eco-Pure. Case Study 23.6 illustrates how the CEO also facilitated progress reviews to identify emerging issues and support those implementing the change (reviewing progress receives more attention in Chapter 24).

CASE STUDY 23.6 Reviewing the implementation of blueprint plans

Very quickly after the announcement of the acquisition, the managers at KeyChemicals responsible for the various integration projects arranged meetings with relevant employees from both companies. Some elements of the change were implemented with few problems, others were more difficult, often because of unanticipated technical problems, and some managers encountered strong resistance from employees who feared that the changes would harm their interests.

In addition to the normal project review procedures, the CEO held meetings with those who were leading particular projects to give them support and encourage them to share their experiences and learn from each other. The CEO, reporting back to the board, observed that the pre-planning had been helpful but that project leaders had found that it was not always possible to implement blueprint plans as anticipated, and had encountered some unforeseen problems. The CEO's support helped managers down the line learn from their own and others' experience and apply this learning to improve their efforts to implement the change.

Having read this chapter, revisit the notes you made earlier on Case Study 23.1. Consider whether the list of issues affecting implementation success that you identified needs to be amended, and whether your list points to important issues not mentioned in this chapter.

SUMMARY

Implementation is rarely a one-off activity. It tends to be ongoing and closely intertwined with other ongoing activities such as diagnosis and planning.

This chapter examines implementation in the context of one company acquiring control of another and uses this case study to highlight some of the factors that can affect the success of any attempt to implement change. This acquisition example is used because it is a type of change that will be familiar to most readers.

The KeyChemicals case study shows how implementation is related to and dependent on the quality of diagnosis and planning. It also points to the importance of attending to people issues when implementing change. Some of the people issues highlighted in this chapter include communicating the change, managing stakeholders, promoting trust, providing support and adopting fair and just management practices.

Learning from past experience and current practice can contribute to implementation success.



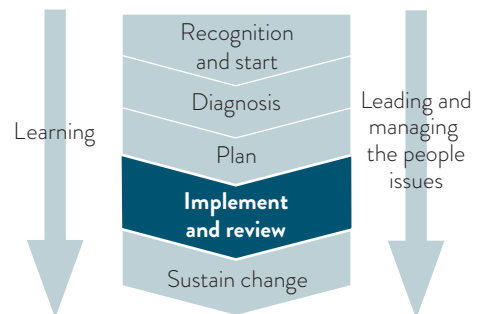
REVIEWING AND KEEPING THE CHANGE ON TRACK

LEARNING OUTCOMES

After reading this chapter you will be able to:

1. Understand how to monitor implementation and adjust change efforts to secure intended outcomes.
2. Explain how cause-and-effect hypotheses underpin plans for implementing the change.
3. Identify the information you will need to assess whether a change plan is being implemented as intended and having the anticipated effect.
4. Develop tools that can be used to monitor implementation.
5. Recognize whether you need to revise the assumptions and cause-and-effect hypotheses that underpin the change plan.
6. Describe an example that illustrates how reviewing can be built into the process of managing change.

This chapter focuses attention on how the process of reviewing progress can provide change managers with feedback they can use to assess whether interventions are being implemented as intended, whether the chosen interventions are having the desired effect, and whether the change plan continues to be valid. Attention is also given to ways of measuring performance, the utility of the balanced scorecard as a template for designing a system for managing change, the possibilities for embedding review as an essential element in the change process, and keeping track of how people are reacting to the change.



MANAGING THE IMPLEMENTATION STAGE OF THE CHANGE PROCESS

It was noted in Chapter 2 that there are two main approaches to implementation:

1. *Implementing blueprint change*: Here, the desired end state is known in advance and change managers are in a position to formulate a clear plan of action to achieve this vision. Implementation involves rolling out this plan, monitoring the effect of interventions, and taking corrective action as and when required to ensure that the desired end state is achieved. Often, the validity of the blueprint is taken for granted and the learning associated with this kind of change tends to be restricted to detecting and correcting errors in the way the plan is rolled out. Assumptions about what needs to be changed and how the change will be achieved tend to go unchallenged unless the feedback from implementation is so unexpected that it shocks change managers into a radical reassessment.

2. *Implementing emergent change:* Here, it may be difficult or impossible to specify an end point in advance. Change managers have to develop an implementation plan on the basis of broadly defined goals and a general direction for change. Sometimes, because of a high rate of change in the operating environment, ideas about the desired future state have to be constantly revised, even when the original vision has only been defined in the broadest of terms. In such circumstances, change managers have to adopt an open-ended approach to planning and implementation. Managing emergent change involves taking tentative incremental steps and, after each step, reviewing the intervention(s) that constituted that step (Did it/they work as planned?) and the general direction of change (Does it still hold good or does it need to be revised?). This questioning of the validity of the desired future state and the plan for achieving it calls for double-loop learning, which involves challenging and, where necessary, revising the assumptions that underpin the change plan.

MONITORING THE IMPLEMENTATION OF THE CHANGE PLAN

A plan for change reflects a set of cause-and-effect hypotheses. Kaplan and Norton (1996) view the measurement and review process as a means of making these hypothesized relationships explicit. They argue that once they are clearly articulated and widely understood, the change process can be more easily managed. The process of managing change involves validating or, where necessary, revising the assumptions and hypotheses that underpin the change plan. The desired future state (vision) is reflected in the outcome measures embedded in the change plan. Performance drivers are the variables that determine whether the desired outcome will be achieved. Specifying these in the change plan signals to organizational members what they need to do in order to contribute to the achievement of the desired future state.

Some of the questions that need to be addressed when managing change and validating the hypothesized cause-and-effect relationships that underpin the change plan are considered below.

Are interventions being implemented as intended?

Sometimes, it is more difficult than anticipated to implement a plan for change. The change manager may respond by reviewing the situation and identifying those factors that have hindered implementation first time round. These might include a lack of commitment and motivation on the part of those immediately affected by a proposed intervention, a lack of political support from those in a position to champion or sabotage the change, or insufficient resources to ensure that the change initiative receives the attention it requires. The content of previous chapters points to ways of addressing these kinds of problems.

Are interventions producing the desired effect?

Change managers need to be alert to the possibility that while the intervention might have been implemented as intended, it might not be producing the anticipated effect. An example will illustrate this possibility and indicate ways in which the change manager might address the situation.

A company might be losing market share because it is lagging behind competitors in the time it takes to bring new products to market:

- A factor contributing to this predicament might be diagnosed as the high level of conflict between members of the product engineering department, responsible for developing new products, and members of the production engineering department, responsible for developing the manufacturing system required to produce a new product.
- Informed by this diagnosis, the change manager might send members of both departments on a variety of external courses to learn about intergroup dynamics and the management of conflict.

- After monitoring the effect of this intervention, the change manager might discover that while members of both departments are much more aware of constructive ways of behaving in conflict situations, this awareness has had little effect on the level of manifest conflict between the two departments.

An initial response might be to explore ways of modifying the original intervention in order to make it more effective, for example by seeking out opportunities to improve the transfer of learning from the training activity to the work situation. Rather than sending individuals on external courses, the change manager might decide to facilitate an in-house workshop designed to improve intergroup relations, which involves members of both departments working together to identify ways of managing their differences in a more constructive way (see Change Tool 12.3, Beckhard's process for improving intergroup relations, on the book's companion website).

If modifying the original intervention in this way still fails to produce the desired effect on the targeted performance driver, that is, the quality of interdepartmental relationships, the change manager might begin to question the assumed cause-and-effect relationship between poor conflict management skills and high levels of interdepartmental conflict. This questioning might point to other possible causes of the immediate problem (such as the organization's structure) and lead the change manager to consider ways of modifying the change plan to include interventions that target them:

- It might be found that the original diagnosis was valid, insofar as it identified the level of interdepartmental conflict as a major cause of delay in getting new products to market, leading to a loss of market share. However, it may have been flawed when it focused on poor conflict management skills as the root cause of this damaging behaviour.
- A re-examination of the situation might suggest that the main source of conflict is rooted in the way the company is structured. This broad heading could include a number of possible causal factors. One might be the siting of work groups in locations that make it difficult for members of one department to communicate on a face-to-face basis with members of the other. Another might be misaligned performance criteria that result in competing sets of priorities in the two departments.

This questioning of the taken-for-granted, cause-and-effect assumptions involves a process of double-loop learning, which is discussed in detail in Chapter 28.

Is the change plan still valid?

There may be occasions where the interventions have been implemented as intended and have produced the desired effect. However, this chain of events may have had little or no impact on overall organizational performance. This kind of outcome poses another challenge to the validity of the change plan and the hypothesized cause-and-effect relationships on which it is based.

Faced with this kind of outcome, the change manager may decide to embark on a further re-examination of the original diagnosis and the causal models used to inform the design of the change plan:

- This further re-examination might reveal that, despite what many managers in the company believe to be the root cause of the problem, improvements in the time it takes to get new products to market may have had little effect on the gradual decline in market share. Further investigations might suggest that customers are more concerned about other value propositions, such as product reliability, price and so on, and might feel that competitors are better able to satisfy their needs in these areas.
- On the other hand, it may be that further investigations reveal that the original diagnosis was correct at the time, but has been overtaken by new developments, for example changes in customer requirements that challenge its validity, with obvious implications for the change plan.

There may also be (hopefully many) occasions when the interventions have been implemented as intended, have produced the desired effect and had a positive impact on organizational performance. This kind of positive outcome signals a need to consolidate this achievement and use it, as appropriate, as a basis for achieving further improvements in performance.

Reviewing the performance of new business ventures

Value creation is an ongoing process that must be monitored by seeking and acting on feedback, especially feedback from customers. Bhave (1994) identified two essential feedback loops: strategic and operational (see Figure 24.1):

- *Strategic feedback* signals discrepancies between the entrepreneur's perception of what the customer wants and the reality of what the customer actually wants. Any discrepancies will point to a need to revise the business concept.
- *Operational feedback* signals whether or not there is a need to improve the quality of the product or service. This could require a change to the production technology or the distribution channels. It might also signal a need for additional or altered product features.

The three stages in Bhave's model of entrepreneurial venture creation were discussed in Chapter 2, and are shown in Figure 24.1.

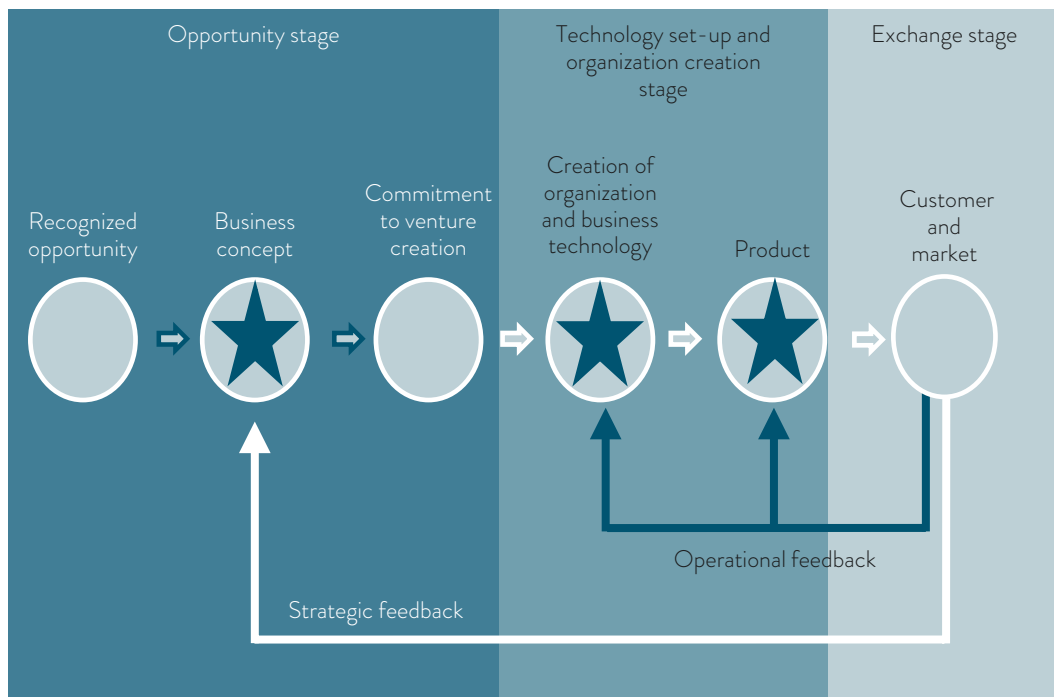


Figure 24.1 Bhave's model of entrepreneurial venture creation

Source: Adaptation reprinted from *Journal of Business Venturing*, 9(3), M.P. Bhave, 'A process model of entrepreneurial venture creation', p. 235, Copyright 1994, with permission from Elsevier.

The importance of strategic feedback for reviewing the progress of a new business venture is highlighted by Doug Richard's account of what happened at Library House, a business information and consulting company (Richard, 2013). The business employed 50 people. Forty were highly paid PhDs, building and maintaining a database of every company in the tech industry across Europe. The database, designed to give potential investors insights into what was going on in the industry, was conceived as the business's main asset. The other 10 staff arranged events where the potential

investors could network with each other. Doug reports that after changing his business model and charging a separate fee for access to the database and a significantly lower fee for attending networking events, he discovered that what customers actually valued was Library House's convening capability – its ability to bring together people who would not normally or easily congregate – rather than the database. The consequence of his revised pricing strategy was a sudden and damaging drop in income. And this happened because Doug had failed to review progress and find out what customers really valued. In the beginning they may have valued access to the database but, over time, discovered that the opportunity to network was the real benefit. If Doug had reviewed progress as the business developed, he might have recognized the need to revise his business concept and considered marginalizing the role of (and investment in) the database.

The problem recognized by Doug Richard is similar to that referred to by Barrie Hopson in his video 'Learning to let go'.

MANAGING CHANGE IN PRACTICE 24.1 Barrie Hopson: Learning to let go

In his short video 'Learning to let go', which you can watch on the book's companion website, bloomsbury.pub/hayes-change-management-6e, Barrie identifies two lessons from his experience of founding and growing business enterprises. The first was when he recognized that it was time to let go of the hands-on detail, bring in a CEO to run the day-to-day business and free his time to focus on strategy. Barrie's second lesson was accepting that he needed to let go of his original business concept, which he refers to as being like 'killing a favourite child'.

THE ROLE OF PERFORMANCE MEASURES IN THE MANAGEMENT OF CHANGE

Some of the issues that encourage or inhibit learning are discussed at the end of Chapter 2 and in Chapters 27 and 28. This chapter focuses attention on how the cycle of monitoring, reviewing, planning, acting and further reviewing can minimize some of the problems that undermine the success of a change plan and help to keep the change on track. Central to this review process is the collecting and feeding back of information about how interventions affect performance.

Attention has already been given to some of the different ways in which performance can be measured (see Chapter 5). It is essential that performance measures should be related to the outcomes that are important to key stakeholders and to the hypotheses about cause-and-effect relationships embedded in the change plan. Without the feedback that such measures can provide, change managers will be unable to monitor what is going on and determine what further action may be required to successfully implement the change plan.

Approaches to measuring performance

It was noted in Chapter 11 that many control systems are designed to reward current practice and offer little incentive for people to invest effort in changing the organization to promote long-term effectiveness. Even in those organizations where change is given a high priority, the monitoring and feedback process may only focus attention on a limited set of performance measures. Many organizations direct most of their attention to financial measures, and often too little attention is given to other performance indicators that relate to important outcomes and key cause-and-effect relationships that are central to the change plan.

One of the early attempts to widen the base of performance monitoring on an organization-wide and systematic basis was the development of a 'corporate scorecard' by Analog Devices in 1987. Alongside a number of traditional financial measures, this included measures of customer delivery time, quality and cycle times of manufacturing processes, and effectiveness of new product development.

Kaplan and Norton (2004) report that they became interested in new ways of monitoring performance when they recognized the importance of knowledge-based assets, such as employees and IT, as determinants of competitive success. They believe that managers and others pay attention to what is measured and they are not good at managing that which is not measured. Therefore, if they are to manage, develop and mobilize the organization's intangible assets, managers need a performance management system that measures how these assets are used. This led them to develop what is now referred to as the 'balanced scorecard'.

The balanced scorecard

The balance scorecard (Kaplan and Norton, 1996) integrates financial measures of past performance with measures of the 'drivers' of future performance. It provides a template that can be adapted to provide the information that change managers need to monitor and review the effects of their interventions and to plan what they might do next to move the organization towards a more desirable future state. As mentioned in Chapter 5, the balanced scorecard includes four categories of measures: financial, customer, internal business process, and innovation and learning:

1. *Financial measures*: summarize the economic consequences of past actions, such as return on investment, economic value added, sales growth and generation of cash flow. This financial perspective considers how the organization needs to appear to its shareholders if it is to achieve its vision.
2. *Customer-related measures*: indicators of business performance that relate to the customer and market segments that are important to the organization, such as measures of satisfaction, retention, new customer acquisition, customer profitability, account share and market share. They might also include measures of those performance drivers that affect the value propositions that influence customer loyalty, such as on-time delivery and product innovation. This customer perspective considers how the organization needs to appear to its customers if it is to achieve its vision.
3. *Internal business process measures*: those internal business processes that make a critical contribution to the organization's current and future performance, such as quality, response time and cost. They might measure the performance of the processes that enable the organization to deliver value propositions that attract and retain important customers, satisfy shareholders by contributing to the delivery of excellent financial returns, or deliver other outcomes that are important to key stakeholders.
4. *Innovation and learning*: there are three principle sources – people, systems and organizational procedures. Kaplan and Norton suggest that the financial, customer and internal business process objectives typically reveal large gaps between the existing capabilities of people, systems and procedures and the capability required to achieve a performance breakthrough. In order to transform an organization, or even achieve a more modest level of change, these gaps have to be addressed. This can involve intervening in the normal process of organizational functioning to enhance this infrastructure and improve the organization's capacity for innovation and learning.

DEVELOPING TOOLS TO HELP MONITOR IMPLEMENTATION

The balanced scorecard approach can be adapted to focus on those performance drivers and measures that are identified as important in specific situations and used as a change management tool to clarify and gain consensus about the change strategy.

The 'service profit chain' provides an example of a change hypothesis that can be used to help managers translate their vision into a set of operational goals and identify performance drivers that can be used to monitor performance. The service profit chain hypothesizes that employee satisfaction is positively related to employee commitment, and that increased commitment promotes customer satisfaction and this motivates customers to stay with the company longer and recommend the company's products and services to others. This, in turn, stimulates revenue growth and profitability (Heskett et al., 1994).

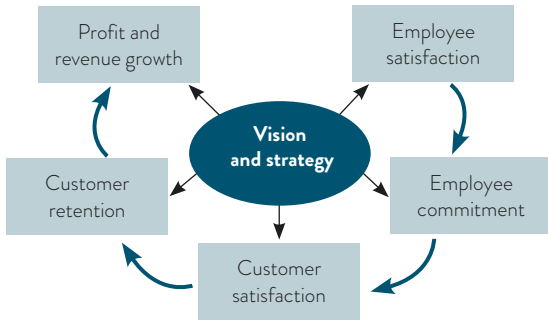


Figure 24.2 Translating the change strategy into a set of operational goals

satisfied customers settled their accounts in the shortest period.

Several studies report findings that suggest that favourable employee perceptions are related to superior business performance (Koys, 2001; Harter et al., 2002; Patterson et al., 2004).

Management tools, such as the balanced scorecard, not only facilitate the development of a shared view of how and why the various change goals are related in terms of cause and effect, but can also help change managers to communicate their change plan throughout the organization and provide a framework for consultation and debate about what a more desirable future state will look like and what needs to happen if it is to be achieved. This kind of management tool can also help to ensure that the range of change initiatives that might be started in different units and at different levels in the organization will be aligned to contribute to the strategic goals of the change programme.

The balanced scorecard approach is presented here and in Chapter 5 as one example of a tool that can help those leading a change to manage the change process. In any change programme, plans have to be operationalized and communicated widely. Furthermore, targets for change must be specified as clearly as possible if progress is to be monitored and if the change plan is to be kept under review and adjusted as circumstances require.

BUILDING REVIEW INTO THE PROCESS OF MANAGING CHANGE

The case of customer care at Maersk Line provides a good example of how reviewing implementation can be woven in as an essential element of the change process, as discussed in Example 24.1.

EXAMPLE 24.1 Customer care at Maersk Line

Maersk Line is the global container division and largest operating unit of the A.P. Moller-Maersk Group, a Danish business conglomerate. Its fleet comprises more than 600 vessels and it is the largest container shipping company in the world.

This case examines one thread of a major change programme at Maersk Line: making the organization more customer-centric. Early steps in the process focused on identifying problems and opportunities, making the case for change, and developing a vision of the customer experience that Maersk Line aspired to deliver.

Customer experience councils and customer mirrors (similar to the organization mirror described in Change Tool 12.3) helped managers develop a good understanding of the current customer experience and possibilities for improvement and led to the specification of three targets for change:

1. *Passionate employees who know and care:* deliverables associated with this target included the allocation of a dedicated care business partner to every



Getty Images/Prasit photo

customer, establishing a care promise, and developing the emotional competences that would enable colleagues to relate effectively with customers.

2. *Proactive service and information sharing*: deliverables associated with this target included end-to-end shipment management based on globalized ‘visibility reports’ and automated ETA change notifications to customers.
3. *Transparent issue resolution*: deliverables under this heading included the implementation of an online issue centre across all functions.

It was recognized that in order to achieve these targets, it would be necessary to change the mindset and behaviours of 3,000 employees working in 125 different countries. Johnny Schmidt, global head of customer service, believed that the best way of making this change happen was to engage as many people as possible in co-creating and implementing customer care. This involved building on best practices from around the world, accepting a trial-and-error rollout and allowing local variations to facilitate implementation.

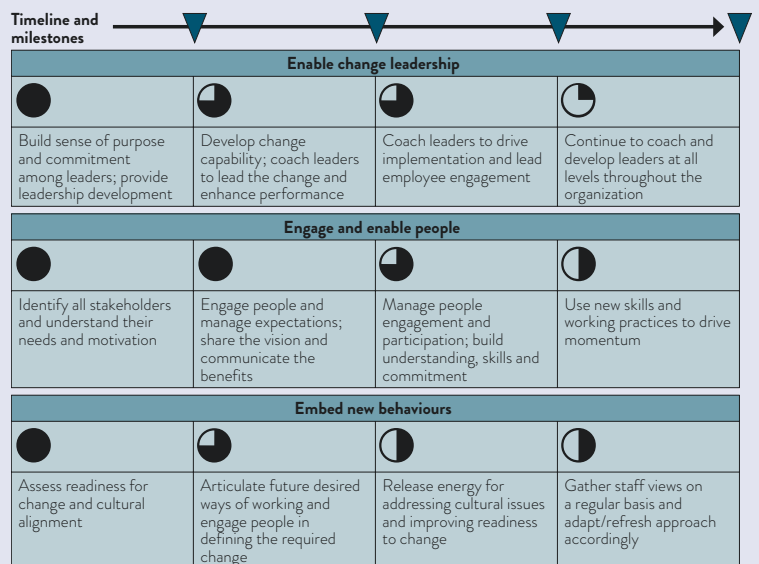
The coordinated implementation of customer care required careful attention to stakeholder management and communications. All the principles discussed in Chapters 17 and 20 were used to identify important stakeholders and assess their engagement, develop messages that promoted personal as well as corporate benefits along with messages that clarified responsibilities and accountabilities, and design a communication blueprint that specified who would deliver these carefully crafted messages to specific stakeholders in prescribed ways at given points in time.

Considerable effort was invested in planning how the change would be implemented. Two kinds of project plan were developed: detailed plans for those tasked to deliver particular aspects of the change, and an ‘easy overview plan’ that enabled everybody involved to be informed about the big picture, key deliverables and deadlines.

Training and development was an important element of the plan. Training was viewed as an ongoing process that supported every step of the change. It involved developing competences in change management, including the development of managers down the line as coaches. It also involved developing the competences that employees across the business would need to support the new behaviours required to improve the customer experience. Using many of the principles relating to training discussed in Chapter 13, a system-level review identified those areas in the business where the change would trigger a need to develop new skill sets, task analyses led to the development of job roles and competency descriptions, and person analyses provided the data to prepare personal development plans.

An impressive part of the customer care programme was the attention given to measuring and reviewing how the change was being implemented. Progress reports and quarterly internal employee surveys produced data that were used to develop detailed assessments of progress, which were summarized and presented as a set of dashboards. For each aspect of the change, the dashboards identified key deliverables and milestones and used a set of bold symbols to signal progress. Three examples illustrate this approach, as shown in the figure below.

The first dashboard indicates that enabling change leadership down the line was emerging as a key challenge. While the dashboard flags up a need to explore an issue, it does not diagnose the cause, but provides timely signals to those leading the change that some action is required. The other two dashboards indicate that engaging people and embedding new behaviours got off to a good start, slowed down later on but were still contributing to making the organization more customer-centric. People across the business were using their new skills and working practices to drive the change. There had also been good progress identifying and embedding the new behaviours. Early on, there had been excellent progress assessing the readiness for change and engaging people in articulating and defining what needed to happen. It was always recognized that addressing some of the cultural issues involved in the change would not be easy, but again good progress was being made.



Progress – low ○ ●●●● high

Those leading the change recognized that seeking feedback from staff and using this to adapt the change as required to sustain the improved customer experience was an activity that would require ongoing attention.

Three extensive external customer surveys sent to 3,736 customers tracked the impact of the change programme on customers' experiences. One of the key indicators that showed significant improvement was the 'ease of doing business with Maersk Line'.

The customer care change programme started seven years ago, and two years later the focus had moved to consolidating improvements and integrating customer care into the DNA of Maersk Line. Ensuring customer-centricity continues to be one of the company's key differentiators and remains a priority today.

Source: Based on contributions from Johnny Schmidt.

REVIEWING HOW PEOPLE ARE RESPONDING TO THE CHANGE

Over the long term, change managers can use measures such as customer satisfaction, customer retention and the bottom line to assess the validity of the change plan. Over a shorter timescale, they may focus attention on whether interventions are being implemented as intended and are producing the immediate outcomes that were anticipated. Another source of feedback is employees' collective perceptions of the way the changes are being managed and the effect this has on their experience of and attitudes towards the changes. Just as normal day-to-day management practices can have a powerful impact on the work climate and the willingness of organizational members to contribute to organizational performance, so the way changes are managed can have a powerful impact on how organizational members experience change, their attitudes towards the change, and their readiness to support it.

It could be argued that resistance to change is inevitable and therefore employees are not good judges of how well a change is being managed. However, since one of the main imperatives of change is to win over hearts and minds and get people to buy in to change, their feedback is important. One way to gain this feedback is given in Change Tool 24.1.

CHANGE TOOL 24.1 The change management indicator

Hayes and Hyde (2016) have developed the change management indicator (CMI) as a structured means of providing this feedback. It is available as an online survey on the book's companion website (bloomsbury.pub/hayes-change-management-6e) and can be used in a number of ways:

- as a one-off diagnostic instrument to identify major areas of concern for remedial action
- as a barometer of opinion at a series of points in time, indicating whether the trend is in the desired direction
- to compare the situation in different departments, functions, locations and organizational levels and thereby identify localized problems
- as an intervention in its own right, to get people thinking about the issues and to promote dialogue
- to benchmark against other organizations undergoing similar changes.

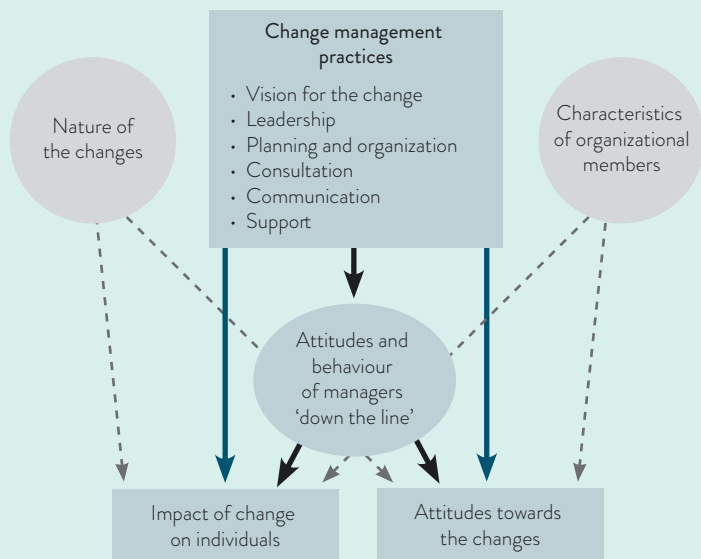


Figure 24.3 Factors affecting how people respond to the change

Source: J. Hayes and P. Hyde, *The Change Management Indicator* (2018), bloomsbury.pub/hayes-change-management-6e.

The model underpinning the CMI (Figure 24.3) proposes that people's experience of organizational change and their attitudes towards the change are influenced by four key elements. Two of these can be difficult to affect, especially over the short term:

1. The inherent nature of the change itself. It will be hard, for example, to get positive feedback about a change if it is inherently painful, such as the closure of a facility.
2. The personality and temperamental characteristics of the people involved. Some people will be more receptive to change and others more resistant.

There are, however, two important elements of the model that change managers can do something about:

3. The change management practices they adopt, such as developing the vision for the change, leadership, planning and organization, communication, consultation and support.
4. The way their overall strategy for change is represented 'down the line' by local management. Middle managers often struggle to find the right way to position themselves, but it seems clear that if they are not actively supportive of the corporate strategy for change, it is highly unlikely their subordinates will buy into it.

Failure to pay attention to the way a change is being managed can adversely affect the achievement of change objectives and/or the timescale for implementing the change. It can also undermine staff morale and commitment to the organization, cause reputational damage, and tie up scarce resources firefighting and managing the unintended consequences of the change process.

SUMMARY

This chapter considers how monitoring and reviewing the implementation of a change can help managers adjust and adapt the plan for change to ensure that the organization moves towards a more desirable future state.

Attention is given to the kind of information change managers need in order to: determine whether interventions are being implemented as intended and assess whether they are having the anticipated effect; and assess whether the change plan, and the cause-and-effect hypotheses on which it is based, continues to be valid. Assessing the continued validity of the change plan, and updating it as required, is especially important when managing emergent change.

It is argued that change managers need to identify measures of organization effectiveness that relate to those outcomes that are important to the organization's long-term survival and growth. This might involve attending to more than just the short-term interests of shareholders.

The balanced scorecard is considered as an example of a management tool that can help the manager attend to these points when managing change.

✓ EXERCISE 24.1 Reflect on what you have learned from working on the two chapters in Part VI

Based on what you have read and learned from the various exercises in Part VI, identify a short list of questions that could help you and others to assess how well the issues that need to be managed when 'implementing change and reviewing progress' are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part VI at the end of the Introduction to Part VI. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

Visit [bloomsbury.pub/hayes-change-management-6e](https://www.bloomsbury.pub/hayes-change-management-6e) for further learning resources.

SUSTAINING CHANGE



INTRODUCTION TO PART VII

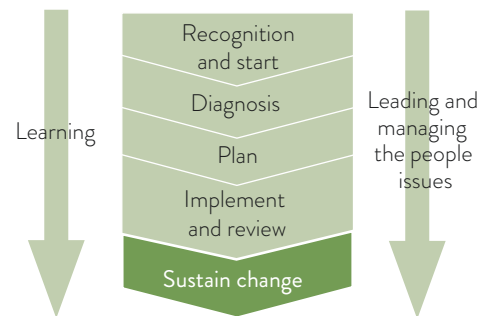
Part VII considers two aspects of sustainability: making change stick and spreading change across the system. Sustainability has been defined in many different ways. Some definitions are relatively static, focusing on the maintenance of improvements within a particular setting, whereas others are more dynamic and concerned with translating initial gains into a process of continuous improvement.

Chapter 25 Making change stick

Chapter 25 explores some of the reasons why change is not sustained and some of the ways those leading change can help promote 'stickability' and maintain improvements. Attention is given to how the way the change process is managed from the beginning can affect stickability. Tough top-down (push) strategies are more likely to foster compliance, which can evaporate when the pressure to maintain the change is eased. Attention is then given to how change managers can act to sustain change after initial change goals have been achieved.

Chapter 26 Spreading change

Chapter 26 looks at 'spreadability', that is, the extent to which new methods and processes that have delivered gains in one location are applied, or adapted, and then used elsewhere across the organization. Attention is given to three factors that can affect spread: the attributes of the innovation; the context – reflected by the organization's climate for implementation; and the values of potential users, and their perception of the extent to which the innovation will foster or inhibit the fulfilment of their values.



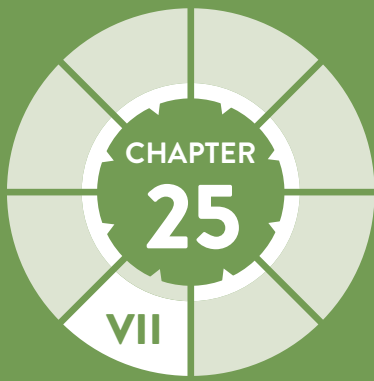
✓ EXERCISE PART VII Useful questions for reviewing your approach to sustaining change

In Chapter 2, after discussing each stage in the process model of change management, your attention was drawn to a number of questions that might help you assess how well a change is being (or was) managed. All these questions are summarized in [Figure 2.3](#) and the questions relating to sustaining change are listed below:

- Do change managers pursue a change strategy that wins long-term commitment?
- Do they reinforce changes post-implementation?

- Do they avoid declaring victory too soon?
- Is sufficient attention given to managing the consequences of churn?

Reflect on and review these questions and, after reading the two chapters in Part VII, revise this list and generate your own set of useful questions that you might find it helpful to refer to when you are leading a change.



MAKING CHANGE STICK

LEARNING OBJECTIVES

After reading this chapter you will be able to:

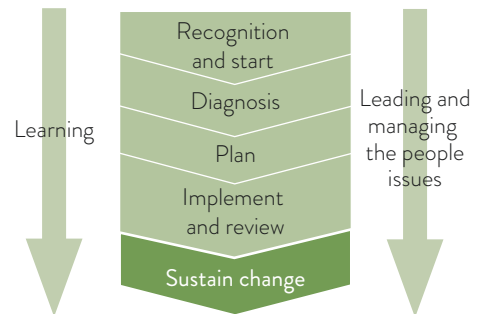
1. Understand the importance of consolidating change and holding on to gains.
2. Define sustainability in terms of persistence and spread.
3. Explain why it can be difficult to achieve Lewin's stage of refreezing and ensure that changes do not evaporate.
4. Manage early stages of the change process in ways that will support stickability.
5. Recognize what change managers can do after a change has been achieved to ensure that beneficial outcomes persist.
6. Describe 10 recurrent problems that can undermine stickability and explain how each might be addressed.

Lewin (1951) argued that all too often change is short-lived. After a 'shot in the arm', life returns to the way it was before. In his view, it is not enough to think of change in terms of simply reaching a new state. Attention also needs to be given to maintaining this new state for as long as it is relevant. As discussed in Chapter 2, Lewin conceptualized change as a three-stage process. The first involves unfreezing the individual, group or system from the status quo and creating a readiness for change. The second involves moving to a new state, and the final stage involves refreezing behaviour at this new level, for as long as it is beneficial to do so.

This caveat – for as long as it is beneficial – is important because there are circumstances where it may not be beneficial to continue to maintain a change. The change may not have been successful or it may have produced unanticipated consequences that are inconsistent with the change plan. Buchanan and Fitzgerald (2007) also argue that sustaining change can be counterproductive when:

- changes in the wider environment render recently implemented working practices, outcomes and lines of development obsolete
- maintaining recently implemented practices impedes further and more significant developments.

This chapter reviews evidence from different sectors, which indicates that it is often difficult to achieve Lewin's stage of refreezing and sustaining change. After discussing two aspects of sustainability, this chapter takes a closer look at 'stickability' and what managers can do to consolidate a change and hold on to gains. Chapter 26 takes a closer look at the second aspect of sustainability – how successful changes can be rolled out across the organization.



SUSTAINABILITY

Sustainability has been defined in many different ways. Some definitions focus on the embedding of new processes, whereas others focus attention on performance improvements ‘independent of the methods employed’ (Buchanan et al., 2005). Some definitions are relatively static, focusing on the maintenance of improvements within a particular setting, whereas others are more dynamic and are concerned with translating initial gains into a process of continuous improvement.

Dale (1996), for example, defines sustainability in terms of increasing the pace of improvement while holding on to the gains made. The NHS Modernisation Agency (2002, p. 12) defines it as the state where ‘new ways of working and improved outcomes become the norm’ and where ‘the thinking and attitudes behind them are fundamentally altered and the systems surrounding them are transformed in support’. In other words, according to the Modernisation Agency, change is sustained when it becomes an integrated or mainstream way of working rather than something ‘added on’. Buchanan and Fitzgerald (2007, p. 22) conclude that while sustainability can be defined in different ways in relation to work methods, goals or continuous improvements, covering differing timescales, ‘the definition and timing that matter are those applicable to a particular organizational setting’.

An investigation by Bloom et al. (2013, 2018) into the effects and persistence of management interventions found evidence to suggest that persistence is affected by a number of factors ranging from the way a change is introduced to the time and attention senior managers give to supporting the change. Bloom et al. (2013) examined the effect on productivity of two types of intervention designed to introduce new lean management practices into 28 plants across 17 family-owned Indian weaving firms, and Bloom et al. (2018) revisited the same sites six years later to investigate whether the effect of the interventions had persisted.

The two types of intervention, provided by a large international consulting firm, differed in the kind of assistance they provided. The first type of intervention lasted for five months and involved diagnosis and help with implementation. The diagnosis phase lasted four weeks and involved evaluating the current management practices of each plant and constructing a performance database. At the end of this phase, each plant was provided with a detailed analysis of its current management practices and performance and a set of recommendations for change. Over the following 16 weeks, the consulting firm worked closely with managers to help them implement and fine-tune the recommendations. For example, one of the recommendations was to hold daily meetings to review production and quality data. Bloom et al. (2013) report that a consultant attended these meetings for the first few weeks to help the managers run them and provided feedback on how they might adapt and run future meetings. The second type of intervention only lasted four weeks and was restricted to diagnosis and the provision of a set of recommendations for change. Plant managers received no assistance with implementation.

Both types of intervention led to improvements in performance that were largely sustained over a two-year period. However, the intervention that had involved both diagnosis and help with implementation led to a more substantial uptake of the recommended practices and more significant improvements in plant performance than the intervention that was restricted to diagnosis and the provision of recommendations. This indicated that the four months of the implementation phase were important in changing management practices.

When Bloom et al. (2018) revisited the same plants six years later, they found that about half the management practices that had been adopted had been dropped, but they found that more practices had been retained in the plants that had received both diagnosis and help with implementation, suggesting the lasting impact of the most effective management intervention. This outcome lends support to earlier findings by Karlan et al. (2015) and Higuchi et al. (2016) that ‘light’ consulting engagements lead to firms gradually discarding new practices over subsequent years. Bloom et al.’s follow-up study also collected information on the reasons for dropping management practices and found that practices were more likely to be dropped when the plant manager changed, and when the

directors (the CEO and CFO) were busier, highlighting the importance of key managers continuing to drive the change.

Holweg et al. (2018) examined 204 lean projects in a large European bank to investigate why some improvements were sustained and others were not. Overall, the projects produced some impressive efficiency gains – 20 per cent by the end of the first year and 31 per cent by the end of the second year. Yet despite these aggregate gains, 21 per cent of the projects failed to yield any improvements and of the 79 per cent that did show some improvement, only 44 per cent continued to sustain any improvement by the end of the second year. Managers reported that one of the main reasons for new practices not being maintained was the lack of visible support from board members and senior leadership.

Bateman and David (2002) developed a model to investigate the level of sustainability achieved in 21 companies following intensive shop-floor process improvement interventions. Their model operationalizes some of these different ways of conceptualizing sustainability. It comprises two elements. The first identifies five different levels of sustainability at cell level, ranging from realizing but then failing to hold on to gains, to not only maintaining the new way of working but also applying the tools and techniques learned to new problems as they arise (see Figure 25.1). The second element of the model focuses on factory-level improvements and identifies the degree to which tools and techniques have been spread between cells (see Figure 25.2). The two elements are:

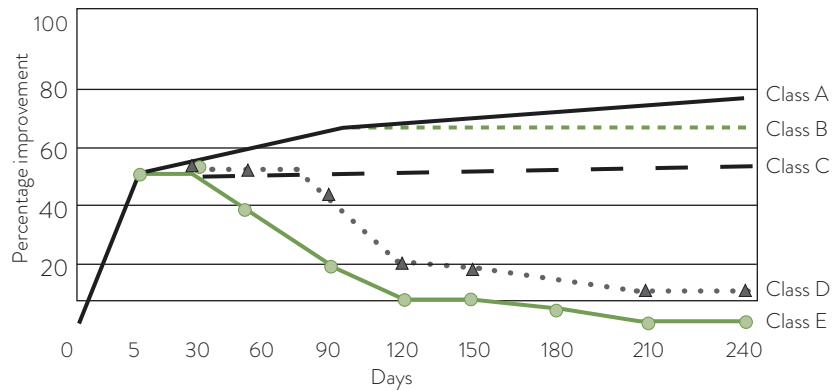


Figure 25.1 Classes of sustainability at cell level

Source: Adapted from N. Bateman and A. David, 'Process improvement programmes: A model for assessing sustainability', *International Journal of Operations and Production Management*, 22(5), p. 520, 2002, Emerald Publishing. <https://doi.org/10.1108/01443570210425156>.

- 1. Cell-level sustainability:** Bateman and David’s (2002) research indicated that while all cell-based interventions led to significant improvements, beyond that point, there were considerable variations in the extent to which these improvements were sustained (see Figure 25.1).
- 2. Sustainability at factory level:** While cell-level improvements (level 1 in Figure 25.2) are often the initial focus of many lean manufacturing interventions, the longer term aim is usually a more broadly based change at factory level. However, cell-level changes may not always spread across the factory. Bateman and David (2002) report that there are often immediate possibilities for replicating improvements made in the initial activity to other manufacturing cells where the machines or processes are the same or similar (level 2). It may be more difficult to apply the same tools and techniques used to achieve improvements to cells where different machines or processes are used (level 3). Achieving level 4 is even more difficult, as this is where further process improvements involve changes in new areas that require the learning and application of new tools



Figure 25.2 Factory-level improvement model

Source: Adapted from N. Bateman and A. David, 'Process improvement programmes: A model for assessing sustainability', *International Journal of Operations and Production Management*, 22(5), p. 520, 2002, Emerald Publishing. <https://doi.org/10.1108/01443570210425156>.

and techniques. Sustainability across the factory at level 5 is achieved when improvements are coordinated in a value stream across the site.

This chapter draws on Bateman and David's (2002) model and explores just one aspect of sustainability – the extent to which gains are held. The extent to which changes are spread across the organization is considered in Chapter 26.

Before reading further, complete Exercise 25.1.

✓ EXERCISE 25.1 Factors undermining 'stickability'

Reflect on your experience of change and identify some of the occasions when new ways of working and performance gains were not maintained. List below some of the factors you think undermined stickability and contributed to change decay. If you do not have much experience of being employed in a work organization, think about the persistence of a change in another context, such as your university society or sports club.

	Factors contributing to change decay	Reason
1		
2		
3		

STICKABILITY: HOLDING ON TO GAINS

Research on what is referred to here as 'stickability' indicates that while many change initiatives are successful, there is considerable variation in the level of sustainability achieved. Kotter (1995) reports numerous examples of the failure to sustain change. He observes that gains achieved in 10 out of 12 re-engineering change programmes evaporated because 'victory' was declared too soon, for example as soon as the first major project was completed. According to Kotter, within two years, the initial gains had slowly disappeared and, in 2 of the 10 cases, it was soon hard to find any trace of the re-engineering. He reports seeing the same thing happen to a vast number of other organization development projects.

Buchanan et al. (2007a) studied the problem of sustainability and spread in the UK's NHS, the largest organization in Europe and the fifth largest employer in the world. In 2000, the NHS embarked on a 10-year modernization initiative. Priorities were established, resources were committed, changes were implemented, and many improvement targets were achieved. But, in line with evidence from the manufacturing sector, Buchanan and Fitzgerald (2007) report that there was considerable variation in the levels of sustainability that were achieved. In some areas, gains were maintained but in others improvements evaporated. For example, some clinical services developed ways of dramatically reducing patient waiting times but found it extremely difficult to maintain these new performance levels, and, over time, the improvements were eroded and performance fell back to the original level.

Sustainability can be affected by what change managers do early on and towards the end of the change process.

Acting early to promote sustainability

From the start, the way a change is managed can affect stickability. When Lewin's theories were discussed in Chapter 2, it was noted that the behaviour of an individual, group or wider system is maintained in a condition of quasi-stationary equilibrium by a force-field comprising a balance of

forces pushing for and resisting change. This level of behaviour can be changed by either adding forces for change in the desired direction or reducing the opposing or resisting forces.

Both approaches can result in change but, according to Lewin (1951), the secondary effects associated with each approach will be different. Where change is brought about by increasing the forces pushing for change, this increases the tension experienced by those affected by the change. If this rises beyond a certain level, it may be accompanied by high emotionality and low levels of constructive behaviour. Increasing the driving forces for change can be likened to pushing on a coiled spring (Figure 25.3). If change managers exert enough pressure, people will be forced to comply, but if this pressure is released, the lack of commitment on the part of those forced to comply could cause the change to evaporate and the situation to 'spring back' to its former state.

On the other hand, where change is brought about by diminishing the forces that oppose or resist the change, the secondary effect is likely to be a state of relatively low tension. This argument led Lewin (1951) to advocate an approach to managing change that focused attention on reducing the restraining forces in preference to a high pressured approach that only focused on increasing the forces pushing for change. He argued that approaches that reduced the restraining forces were more likely to generate commitment and create the pull effect that will result in a more permanent change.

These principles underpin action research. This approach to improving performance is more bottom up than top down. It recognizes that many people may have information that is relevant to the problems that undermine performance and seeks to involve them in the change process. Evidence suggests that this involvement promotes psychological ownership of the problem and gains commitment to the problem-solving process (see Chapter 13). There is also evidence that it facilitates the implementation of new methods and processes, and there is every reason to believe that this same involvement will help build the commitment that will sustain change.

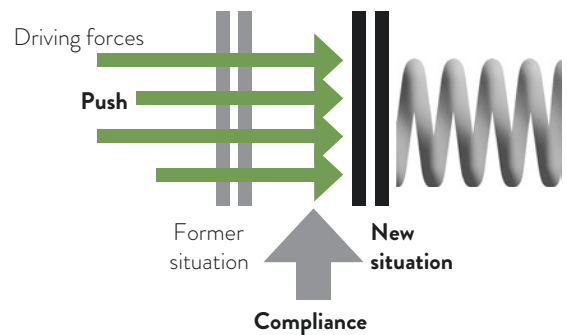


Figure 25.3 A push approach to securing change

Promoting sustainability later in the change process

Successful change efforts can be undermined because too little attention is given to holding on to gains once the change objectives appear to have been achieved. Reference has already been made to change managers declaring victory too soon. This can encourage them to switch their attention and resources to other projects. Kotter (1995) advocates that instead of declaring victory early on, change managers should use the credibility afforded by early wins to go on and modify some of the systems and structures that may be inconsistent with the transformation vision.

Attention also needs to be given to the attitudes and priorities of those affected by the change. Fine et al. (2008) assert that too many companies emphasize the technical aspects of change and neglect many of the related softer issues. The rush to implement toolkit-led solutions without first ensuring that employees – including managers – are prepared to adapt and work with them can contribute to the evaporation of any early performance gains. Involving people at an early stage can help to win over their hearts and minds. Kotter (1995), like those who lead the NHS Modernisation Agency, believes that change sticks when it is rooted in the organization's social norms and shared values. Until this has been achieved, change will be subject to degradation as soon as the pressures to maintain it are removed.

In his seminal *Harvard Business Review* paper, *Leading change: Why transformation efforts fail*, Kotter (1995) identifies ways in which managers can help to embed change in the organization's culture. The first involves providing feedback and drawing people's attention to how new ways of doing things are making a difference. When people are left to make their own connections, they

may attribute any successes to the wrong factors and overlook their own contribution. Relevant, understandable and focused feedback can help to keep people's efforts directed to those things that really are making a difference. Several writers (Beckhard and Harris, 1987; Nadler, 1993) argue that tailored feedback mechanisms not only facilitate monitoring and control during the transition phase of a change, but can also be effective in helping to sustain change. Change managers need to work with those operational managers who will have ongoing responsibility for day-to-day management once the change has been implemented to design feedback mechanisms they can use for themselves to monitor and manage the situation over the longer term. Kotter's (1995) second factor relates to the constant churn in many organizations that results in managers moving on part way through a change project. Kotter argues that care needs to be exercised to ensure that the next generation of senior managers continues to support the new approach.

KEY ENABLERS

Many researchers, including Bloom et al. (2018) and Holweg et al. (2018) cited above, have pointed to specific ways in which sustainability can be promoted. For example, Bateman (2005) found that with shop-floor interventions in the manufacturing sector, two categories of enablers appeared to stand out as most important:

1. Processes for promoting 'contribution and buy-in' during the early stages of implementation.
2. Processes promoting 'maintenance of standards and continuous improvement' once the initial changes had been successfully implemented.

Brown (2009) surveyed the opinion of 15 fellow change consultants at KPMG about sustainability and found that 65 per cent of their comments focused on three barriers to sustainability:

- the organization's approach to change
- the quality of leadership
- employees' level of understanding about what was expected of them following the change.

Brown reported less agreement about enablers but engagement and communication were referred to most frequently.

Buchanan et al. (2005) report a more complex picture. They identify several categories of factors that interact in different ways to affect sustainability, including the scale and type of change, individual commitment and competences, managerial style, the quality of leadership, organizational culture and political processes. The relative importance of these factors is determined by context. For example, a management style that elicits enthusiastic commitment in one setting may trigger cynicism, resentment and a lack of support for change in another. Consequently, Buchanan et al. (2005) felt that more work would have to be done before they could offer change managers any simple prescription for sustaining change. However, they did point to three issues that seem to affect the extent of initiative decay:

1. *How the change is perceived:* Is it peripheral or central to organizational performance and is it perceived as acceptable or threatening by key stakeholders? Often, change managers can influence the way a change is perceived and this will have consequences for sustainability.
2. *How the change is implemented:* As noted above, there is no one implementation process that will be effective in all settings, but doing everything possible to identify and adopt an appropriate process can affect whether or not the change will be sustained.
3. *The timing, sequencing and pacing of the change process:* For example, while a relaxed timetable might help people to digest the need for change, delays can undermine commitment and divert attention to other pressing issues. On the other hand, when a change is rushed, people may not feel involved and a succession of change initiatives may lead to initiative fatigue.

Following extensive research, while still recognizing the complex interplay of factors that affect sustainability, Buchanan et al. (2007b) identified 10 recurrent problems and offered practical advice about how each might be addressed (Table 25.1).

Table 25.1 Ten sustainability problems and suggested solutions

	Nature of the problem	Possible solutions
1	Those who initiated the change move on to another organization	Design career development and reward policies to motivate and retain key change agents Choose successors with similar competences and aspirations
2	Accountability for development becomes diffused	Establish clear project and line management responsibilities Ensure appropriate and visible rewards for those responsible for driving change
3	Knowledge and experience of new practices is lost through turnover	Develop retention strategies to minimize such losses Develop a 'buy-back' policy to involve leavers in induction and training for new staff
4	Old habits are imported with recruits from less dynamic organizations	Strengthen the induction and training regime for recruits
5	The issues and pressures that triggered the change initiative are no longer visible	Communicate in a way that keeps these issues in the forefront of staff thinking Identify new reinforcing issues and pressures
6	New managers want to drive their own agenda	Support where appropriate, but also ensure that they are given an explicit remit to work with and not dismantle particular changes introduced by their predecessors
7	Powerful stakeholders are using counter-implementation tactics to block progress	When reason fails, develop a 'counter-counter-implementation' strategy to reduce their influence
8	Pump-priming funds run out	Start to revise budget allocations well in advance, so that the extra costs of new working practices can be absorbed gradually in a phased manner
9	Other priorities come on stream, diverting attention and resources	Develop a time-phased change implementation strategy to provide periods of planned stability between change projects Avoid diverting resources before initiatives are embedded
10	Staff at all levels suffer initiative fatigue, and enthusiasm for change falters	Beware the 'bicycle effect', where a lack of forward momentum leads to a crash; relaunch with new focus, themes and goals Sell the benefits and clarify what's in it for them

Source: D.A. Buchanan, L. Fitzgerald and D. Ketley, *The Sustainability and Spread of Organizational Change*, Routledge, Abingdon. Copyright © 2007.

Reflect back on the content of this chapter, then complete Exercise 25.2.

✓ EXERCISE 25.2 Action steps to promote stickability

Think of a current or pending change in your organization or another context that you are familiar with and identify at least three things that could be done to help ensure that the change will be embedded and sustained for as long as required.

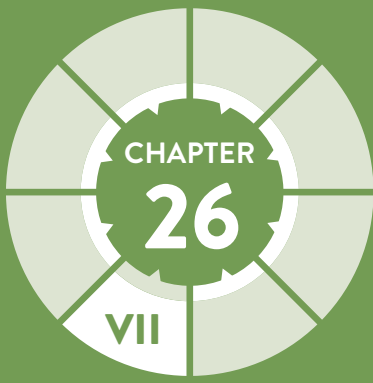
	Actions that will help sustain the change	Reason
1		
2		
3		

At the beginning of this chapter, Exercise 25.1 asked you to list the factors you thought could undermine stickability and contribute to change decay. Reflect on what you have read and consider whether you should amend your list.

SUMMARY

This chapter explores some of the reasons why change is not sustained and some of the ways those leading change can help promote 'stickability' and maintain improvements. Attention is given to how the way the change process is managed from the beginning can affect stickability. Tough top-down (push) strategies are more likely to foster compliance, which can evaporate when the pressure to maintain the change is eased. Attention then turns to how change managers can act to sustain change after initial change goals have been achieved.

Some of the most common problems that undermine 'stickability' are reviewed along with suggestions about how they might be addressed.



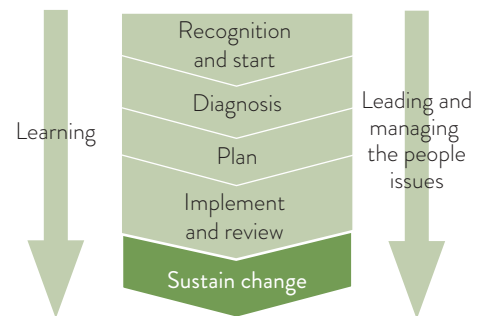
SPREADING CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Explain why some changes that have been successfully introduced into one part of an organization may not spread elsewhere.
2. Describe the attributes of innovations that can affect spread and explain what can be done to modify these attributes.
3. Recognize those factors that contribute to an organization's 'climate for implementation' and identify ways in which they can be modified to support spread.
4. Assess how the values of potential users will affect their motivation to adopt an innovation.
5. Use Klein and Sorra's model as a tool for introducing and diagnosing interventions.

This chapter looks at 'spreadability', the extent to which new methods and processes that have delivered gains in one location are applied, or adapted, and then applied elsewhere across the organization. Attention is given to what managers can do to promote the spread of change. Before reading further, complete Exercise 26.1.



✓ EXERCISE 26.1 Factors undermining the spread of change across an organization

Reflect on your experience of successful change efforts and identify examples where the new methods and processes were not spread to other locations. List below some of the factors you think have limited spread and fostered containment.

When you have read this chapter, reflect on the notes you have made here and consider whether your list needs to be amended in any way.

	Factors limiting spread	Reason
1		
2		
3		

SPREADING CHANGE

Containment is a problem that affects many organizations; innovative methods and processes that have been developed and are working well in one part of an organization remain as isolated examples of good practice. This phenomenon is often referred to as the 'best practice puzzle' (Szulanski, 2003). Examples abound. Walton (1975) describes eight projects that involved work restructuring and the enlargement of workers' scope for self-management. Only one of these eight projects, at Volvo's assembly plant in Lundby, Sweden, was followed by similar changes elsewhere in the organization. Buchanan et al. (2007) report many examples of containment in the NHS along with a few outstanding successes, such as the spread of 'see and treat' (Lamont, 2005), an innovation that reduced waiting times in hospital A&E departments.

Klein and Sorra (1996) refer to two types of stage model that have been used to describe the spread of innovations – innovation here refers to anything newly introduced that involves a change to what went before. The model informing the discussion of spread in this chapter is a user-based model. It traces the innovation process from the users' perspective, from when they first become aware of the innovation to the incorporation of the innovation into their behavioural repertoire and normal way of working. Clearly, unless potential users are aware of the innovation, they cannot consider its adoption. However, attention here is focused on the implementation stage, which Klein and Sorra (1996) describe as the 'critical gateway' between the decision to adopt a new way of working and the routine use of the new methods, structure and processes. Implementation is affected by at least three factors: attributes of the innovation, attributes of the organization, and the values of the potential or targeted users of the innovation.

ATTRIBUTES OF THE INNOVATION

Rogers (1995) suggests that six attributes are important. New ways of working are more likely to be spread when potential users perceive them to be:

1. *Advantageous when compared with existing practices:* Perceptions of relative advantage are based on social as well as financial costs and benefits.
2. *Compatible with existing practices:* The more an innovation is perceived to be compatible with existing norms, values, technologies and social structures, the more likely it is to be adopted. Schein (1992), for example, notes that the introduction of quality circles, self-managed teams and autonomous working groups in many highly individualistic and competitive North American organizations can be so countercultural that it can be difficult to make them work.
3. *Easy to understand:* Complex innovations are more likely to be resisted than those that are relatively straightforward and easy to understand. A related attribute is 'pervasiveness' (Walton, 1975). This refers to the number of aspects of the system that are affected by the innovation. Innovations that are less pervasive will spread more easily.
4. *Observable in demonstration sites:* Potential users will be more able to assess relative advantage, compatibility with existing practices, and ease of use when they can observe the new way of working first hand.
5. *Testable:* Spread is more likely to happen when potential users can experience and test out new methods or ways of working for themselves.
6. *Adaptable to fit local needs:* Rogers and others argue that where users can adapt the innovation to be more compatible with existing practices and/or deliver greater relative advantage, the more likely it is to be adopted. This view has been contested and will be considered in greater detail below.

Tornatzky and Klien (1982) conducted a meta-analysis of 75 studies of innovation attributes. They found that three of Rogers' six attributes had the most influence on whether an innovation would be implemented in new sites. Relative advantage and compatibility were positively related and complexity was negatively related to the adoption of innovations in organizational settings.

Attributes are not fixed qualities

These attributes, as perceived by potential users, are not fixed qualities; they are perceptions that are potentially amenable to change.

Providing potential users with more information may help to change their views because they may not be aware of all the advantages an innovation could deliver for them or the organization. Holweg et al. (2018) point to the importance of offering a clear and attractive narrative. For example, hotel staff might find a process designed to improve guest satisfaction, an outcome they are likely to identify with, more attractive than one designed to cut costs. Similarly, directing users' attention to the way an innovation could deliver personal benefits might be another way of winning their support. Medical staff might be attracted to an initiative that will decrease the time they will need to spend on paperwork because it could free up more time for patient care.

Other attributes might also be amenable to change. Perceptions relating to compatibility might be modified if potential users are allowed to experience the new way of working first hand. Perceived complexity might be addressed by breaking the innovation down into separate, more manageable parts that could be introduced on an incremental basis.

Exact copying

There are opposing views about the value of adapting innovations to fit local needs. Szulanski and Winter (2002) advocate that when the aim is to capture and lever existing, rather than generate new, knowledge, innovative practices should be copied exactly in order to avoid what they refer to as 'spread errors'. Spread errors arise when those responsible for disseminating a new practice assume they understand what it is about the new practice that delivers value. Often, this may not be the case.

Szulanski and Winter (2002) suggest that many details of a new working practice may be invisible because critical elements of the innovation that may be known to individual workers are not shared with supervisors. Other critical elements may be tacit – learned on the job and well known to those involved in the initial change project – but difficult or impossible to document or describe to 'outsiders'. There may also be some elements of the innovation that are deliberately kept secret because they make individual workers' jobs easier or they run counter to an organization's formal work rules. Because those responsible for disseminating the new practice assume they understand what it is about the innovation that delivers value, this overconfidence leads them to immediately start trying to improve on the original example of good practice, cherry-picking parts of a process that appear to offer greatest advantage, or customizing it to make it more compatible with what already exists.

In order to avoid these 'spread errors', Szulanski and Winter (2002) advocate that the original template of the innovation should be copied as closely as possible. They cite Rank Xerox's dissemination of nine best sales practices, Intel's 'Copy Exactly!' method of transferring semiconductor manufacturing know-how, and the successful spread of franchised operations, such as McDonald's, to support their exact copy philosophy.

Reinvention

Buchanan and Fitzgerald (2007a) argue that there is no best way of spreading innovations and that best practice is contingent. They go on to argue (Buchanan and Fitzgerald, 2007b) that, in the health service, many innovations involve introducing changes into multifaceted, complex operating

environments where it is unlikely that a set of new working practices can be simply codified and copied from one location to another without some adaptation. They cite Locock (2001), who, commenting on several cases of effective service improvement in the health service, asserts that these successes were arrived at by going through a redesign process. Locock (2001) goes on to argue that ‘reinventing the wheel’ can be a vital part of creating a climate for change and gaining ownership, and ensuring that changes are embedded, a point echoed by Beer (1988).

The Asda rollout case (Example 26.1) describes an attempt to spread an innovation where, in the first instance, there was little involvement of local staff and no opportunity to ‘reinvent the wheel’, and also where the innovation that was rolled out was not an exact copy of the original innovation.

EXAMPLE 26.1 Asda’s rollout of ‘store renewal’

Shortly after Archie Norman was appointed CEO of Asda, with a remit to turn the business around, he authorized radical experimentation in three of the company’s stores. Cross-functional task forces were established to work with store managers to reinvent the concept of the Asda store – its design, retail proposition and approach to organizing and managing people. The first store renewal took six months to complete but the results were very encouraging – sales rose 40 per cent. After the other two renewal stores were successfully launched, it was decided to roll out ‘renewal’ across the company. In three months, 20 stores were renewed, but the results were disappointing.

Eventually, it was recognized that the poor results were related to the way the renewal programme had been rolled out. Managers working in those 20 stores had not been given the opportunity to adapt the innovation to fit local circumstances. After the early experimental phase, the pressure to turn the business around led to renewal being rolled out as a top-down technical solution that was imposed on their stores. At the time, it was not recognized that renewal in the experimental stores had been a sociotechnical process.

The involvement of staff and the attention that had been given to people issues had contributed to the development of a new store culture, but when renewal was rolled out to the next 20 stores, little attention was given to creating the right store culture. Also, the technical solution that was imposed was not an exact copy of the innovation that had been developed in the experimental stores. Compromises had been made to the way the stores were organized and managed; for example, it proved difficult to implement self-managed teams in the required timescale. Compromises had also been made to the physical aspects of renewal, because it took too long to implement the radical new layouts that were part of the first three renewal stores.

This learning led to a separation of physical renewal and cultural change. Renewal was redesignated as a physical store refurbishment programme. There was recognition of the importance of down-the-line leadership and store culture. Funding for renewal (the physical refurbishment) was only made available after a store had demonstrated that it had fully embraced an innovation template, a codified set of principles referred to as the ‘Asda Way of Working’. It was only after each store had passed a ‘driving test’, which clearly indicated it had developed a culture that was customer friendly and responsive and had adopted a flatter hierarchy and teamworking, that funds were released for the store refurbishment.



Getty Images/Kwangmozaa

ATTRIBUTES OF THE ORGANIZATION

Klein and Sorra (1996) cite a range of studies that highlight a number of separate organizational and managerial policies, practices and characteristics that influence the spread of new practices and bring them together under an umbrella concept, which they refer to as the organization’s ‘climate for implementation’. They assert that a strong implementation climate fosters innovation use by:

- ensuring that employees have the skills to use the innovation
- incentivizing them for innovation use and imposing sanctions for innovation avoidance
- removing obstacles that hamper the adoption of new working practices.

They also suggest that the attributes of a strong implementation climate could include:

- providing training to support innovation use to targeted employees – *ensuring skill*
- providing additional assistance in innovation use following training – *ensuring skill*
- providing employees with ample time to learn about the innovation and use it on an ongoing basis – *ensuring skill, removing obstacles*
- responding to employees' concerns and complaints – *removing obstacles*
- ensuring that the innovation can be easily accessed by targeted users, for example scheduling TQM meetings at times convenient for users – *removing obstacles*
- ensuring that employees' use of the innovation is monitored and praised by managers – *providing incentives for use and disincentives for avoidance.*

Greenhalgh et al. (2005) highlight the political aspects of organizational context and argue that it is important to pay attention to how different stakeholders view the attributes of an innovation. For example, individual adopters, those who represent different aspects of the organization's interests or customers who might be affected by an innovation, may have different perceptions of the relative advantage that an innovation will offer. The same innovation might be perceived as offering advantages and being worthy of support by some stakeholders, and just the opposite by others.

Walton (1975) points to another aspect of context, the 'star envy syndrome'. This relates to how people's perceptions of the incentives for adopting an innovation can affect take-up. He describes an innovation in Norsk Hydro, a Norwegian fertilizer company, in which the change project and those who led it received top management approval and considerable outside recognition. Walton reports that this attention engendered resentment and envy from other managers who were expected to adopt the innovation. This resentment led to resistance. A second related dynamic involved perceived changes to the reward structure. Those who were expected to adopt the innovation felt that they would get less praise for success than those who had led the original project but more blame for failure, so they avoided failure by not taking up the innovation in the first place.

Klein and Sorra (1996) argue that a strong supportive implementation climate encourages the diffusion of innovations, provided employees are committed to innovation use. This caveat is important. They assert that effective implementation requires the dual influence of an organization's climate for implementation and target users' perception of a good fit between the innovation and their values.

THE VALUES OF POTENTIAL USERS

Klein and Sorra (1996) argue that an important attribute of potential users that influences the motivation to adopt an innovation is their values and their perception of whether the innovation will foster or inhibit the fulfilment of those values. They refer to this as 'innovation/values fit'. They draw on Schein (1992) and define group and organizational values in terms of shared beliefs about how the group or organization should relate to customers, competitors and other external constituencies, and how members should relate to and work with each other. This concept of innovation/values fit relates to Rogers' (1995) 'relative advantage' and 'compatibility' attributes of an innovation. Innovations that are perceived to offer a relative advantage in terms of their capacity to fulfil values and are compatible with existing norms, values and social structures are likely to have high innovation/values fit.

THE COMBINED EFFECTS OF IMPLEMENTATION CLIMATE AND INNOVATION/VALUES FIT

Klein and Sorra (1996) illustrate the combined effects of implementation climate and innovation/values fit with the example of a university that had historically valued and rewarded teaching far more than research. The university developed a new strategy that emphasized research and pursued this strategy by attempting to spread the good research practice that existed in a few isolated departments. It supported this endeavour by introducing new policies and practices that created a strong climate for research. However, members of the university's faculty, while recognizing this supportive climate for implementation, were reluctant to commit to the change because they perceived it to be incongruent with their values, which centred on teaching rather than research. [Table 26.1](#) illustrates the combined effects of implementation climate and innovation/values fit.

Table 26.1 Implementation climate and innovation/values fit: effects on employees' affective responses and innovation use

Climate	Innovation/values fit		
	Poor	Neutral	Good
Strong implementation climate	1 Employee opposition and resistance	2 Employee indifference	3 Employee enthusiasm
	Compliant innovation use, at best	Adequate innovation use	Committed, consistent and creative innovation use
Weak implementation climate	4 Employee relief	5 Employee disregard	6 Employee frustration and disappointment
	Essentially no innovation use	Essentially no innovation use	Sporadic and inadequate innovation use

Source: Republished with permission of the Academy of Management, from The Academy of Management Review, 'The challenge of innovation implementation', K.J. Klein and J.S. Sorra, 21(4), 1996, p. 1066; permission conveyed through Copyright Clearance Centre, Inc.

The six cells predict the influence of varying levels of implementation climate and innovation/values fit on employees' motivation to adopt new ways of working. For example:

- In cell 3, the innovation/values fit is good and the organization's implementation climate is strong. These are the ideal conditions for innovation implementation.
- In cell 1, although the organization's implementation climate is strong, innovation/values fit is poor. These conditions are likely to lead, at best, to compliant behaviour.
- In cell 4, the innovation/values fit is poor and the organization's implementation climate is weak. Targeted innovation adopters are likely to regard this weak implementation climate with some measure of relief, because they will encounter little pressure to implement an innovation they do not value. Hence, there is unlikely to be any move to adopt the innovation.

Example 26.2 provides an illustration of a well-managed change that led an innovation being implemented across a fleet of 50 gas tankers.

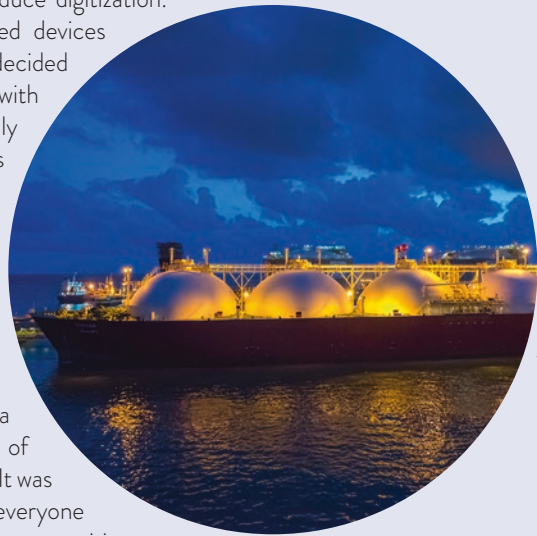
EXAMPLE 26.2 Rolling out a digitized inventory control system across a fleet of 50 tankers

Flag, a European gas tanker company, decided to digitize inventory operations on board its fleet of 50 ships. Tankers typically carry a very high value of inventory, comprising engine and other equipment spare parts, that can be used on board for repairs while at sea or when a tanker is moored in a distant port. Historically, inventory management was a manual process that was prone to error because of misunderstandings about part specifications, delayed entries and under- or overestimates of requirements based on usage, all having important cost implications.

A pilot project was initiated to explore how best to introduce digitization. After investigating several possibilities, including sensor-based devices and hand-held wireless bar code scanning machines, it was decided to develop a prototype of a mobile phone-based application with an auto update inventory system, which would automatically generate insights using inventory data across the company's fleet. The prototype was ready in three months and was piloted on five vessels sailing in the North Sea, close to the company's HQ in Antwerp. The pilot was successful, delivering a 12 per cent reduction in monthly inventory order value. The team was given the go-ahead to roll the project out across the entire fleet of 50 ships.

Rather than adopting a top-down approach to the rollout, the team opted for a more consultative approach. They made a video that detailed the new process and shared the reactions of those employees who had used it during the three-month pilot. It was sent, together with a questionnaire requesting feedback, to everyone who would be affected by the new process. Overall, the response was positive but did include some useful suggestions, such as the inclusion of a language selection facility. After the product had been modified to incorporate users' suggestions, the vice president of operations launched it at the company's annual meeting. Two of the pilot users were asked to present their user experience at the launch event. Within two months, the digital inventory had been rolled out and was being used on all 50 tankers.

The success of the rollout across the fleet was, in large part, a result of the positive attributes of the innovation, its alignment with user values, and a strong implementation climate, as summarized in Table 26.2. The consultative approach adopted by the team charged with developing the new process and their carefully planned communication strategy also played a big part.



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Table 26.2 Factors contributing to the successful rollout of the digitized inventory process

Attributes of innovation		
Advantage when compared with existing practices	High	<p><i>Financial benefits, e.g.:</i> System includes current data on costs of parts at next and consecutive ports so, depending on urgency, can order from least expensive source</p> <p><i>Efficiency benefits, e.g.:</i> Every part can be scanned when released from store, providing instant inventory update System generates data on longevity of parts when used, enabling central team to evaluate suppliers</p>
Compatible with existing practices	High	Data generated by device compatible with all other elements of system Users accustomed to manual system but choice of phone-based application minimized problems with change
Easy to understand	High	Users familiar with mobile phone technology Intuitive automations, friendly user experience and user interface
Observable in demonstration site	Low/medium	A working prototype was installed at launch event but not accessible to all However, video widely distributed
Testable	In pilot phase on five vessels	Not testable by new users post-pilot
Adaptable to fit local needs	Yes	Language functionality

Attributes of the organization		
Ensuring skill	High/medium	How to use video Helpdesk email for those facing challenges
Removing obstacles	High	Strong management support eased introduction
Incentives for use and disincentives for avoidance	Nothing explicit	Following successful launch event, there was a company-wide expectation that it would be used
Values of potential users		
Users committed to keeping their ship in good working order	High	Recognition of the new digitized process was more effective than manual system, ensuring cost-effective parts available on board when required

Source: This example is based on contributions from Prashant Singh.

It is recognized that implementation is a multidimensional phenomenon. While there are no easy prescriptions that guarantee spread, there are things that change managers can do to facilitate the dissemination of new ways of working. For example, potential users' perceptions of the attributes of an innovation are not fixed qualities but are amenable to revision. Change managers can do many things to affect these perceptions, ranging from education and persuasion to involving users in a process of adapting the innovation to fit with local requirements and their own values. In addition, they can work to create a strong implementation climate that fosters innovation use. They can also be alert to different stakeholder interests and how these impact the innovation/values fit of different groups. This kind of awareness can help change managers to disseminate new ways of working in a manner that maintains equity of treatment and minimizes opportunities for conflict.

✓ EXERCISE 26.2 Action steps to promote the spread of change

Think of a current or pending change in your organization or another organization you are familiar with and identify at least three things that could be done to help ensure that the change will not be contained and will be adopted by other users elsewhere in the organization.

	Actions that will help spread the change	Reason
1		
2		
3		

At the beginning of this chapter, Exercise 26.1 asked you to list the factors you thought could undermine the spread of innovations across an organization. Reflect on what you have read and consider whether you should amend your list.

SUMMARY

This chapter considered ‘spreadability’ – the extent to which innovative methods and processes that were successfully introduced in one part of the organization are adopted by others elsewhere.

Spread is affected by three factors: the attributes of the innovation; the context – reflected by the organization’s climate for implementation; and the values of potential users, and their perception of the extent to which the innovation will foster or inhibit the fulfilment of their values. Klein and Sorra (1996) present a model, based on these three factors, which can be used for planning how to introduce changes in a way that will promote spread or as a diagnostic tool to help identify why an innovation has not spread.

✓ EXERCISE 26.3 Reflect on what you have learned from working on the two chapters in Part VII

Based on what you have read and learned from the various exercises in Part VII, identify a short list of questions that could help you and others to assess how well the issues that need to be managed when seeking to ‘sustain change’ are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part VII at the end of the Introduction to Part VII. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

Visit bloomsbury.pub/hayes-change-management-6e for further learning resources.

LEARNING



INTRODUCTION TO PART VIII

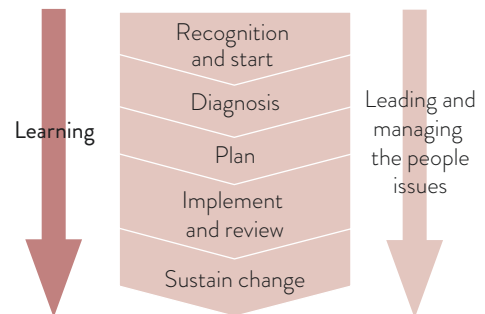
Part VIII examines what those leading change can do to learn from their experience and what they can do to help others involve themselves in a process of collective learning.

Chapter 27 Change managers learning from their own experience

Chapter 27 develops the idea, introduced at the end of Chapter 2, that effective leaders are those who can learn from their experience and use this learning to improve their practice of change management. To do this, they have to be able to step back from the immediate 'doing' of change and adopt an 'observing' mode, reflecting on events, decisions and actions, identifying the critical junctures that shape these events, and exploring alternative ways of acting that might deliver superior outcomes.

Stepping back and reflecting on experience can be difficult. A number of barriers to reflective practice are identified. Leaders need to be aware of these barriers and work hard to bring a critical perspective to bear on their everyday practice of change management.

Concepts and theories, such as those presented in this book, can provide a useful guide for managing change but, in practice, the way change agents act is determined by their own subjective mental maps that influence how they understand the world (their theories-in-use). Those leading change need to be aware of and able to refine their theories-in-use so that they can consciously think about and understand why some of their actions result in unintended consequences and why attempts to get the change back on track are not always successful.



Chapter 28 Facilitating collective learning

Chapter 28 considers the nature and contribution of collective learning and explores what leaders can do to facilitate this process. Collective learning involves enhancing the collective ability to act more effectively. The collective nature of learning is especially important in complex and turbulent environments because, in such circumstances, senior managers may not be the best placed individuals to identify opportunities and threats.

Chapter 29 Pulling it all together: A concluding case study

This book covers a lot of ground. This last chapter is designed to provide you with an opportunity to review what you have read and to think about how the many theories, models, techniques and tools can be applied to the management of a single case.

✓ EXERCISE PART VIII Useful questions for reviewing your approach to reflection and learning

In Chapter 2, after discussing each stage in the process model of change management, your attention was drawn to a number of questions that might help you assess how well a change is being (or was) managed. All these questions are summarized in [Figure 2.3](#) and the questions relating to learning from the experience of managing change are listed below:

- Do those involved in the change anticipate how others will respond to events before deciding what to do?
- Do they monitor the effects of their actions and use this information to guide future decisions?
- Are they receptive to feedback from others?
- To what extent do they view their own and others' mistakes as opportunities for learning?
- Do they attempt to identify and challenge the assumptions that underpin their behaviour?
- Are they alert to the possibility that decisions that produce positive outcomes in the short term can adversely affect performance over the long term?

Reflect on and review these questions and, after reading Chapters 27, 28 and 29, revise this list and generate your own set of useful questions that you might find it helpful to refer to when you are leading a change.



CHANGE MANAGERS LEARNING FROM THEIR OWN EXPERIENCE

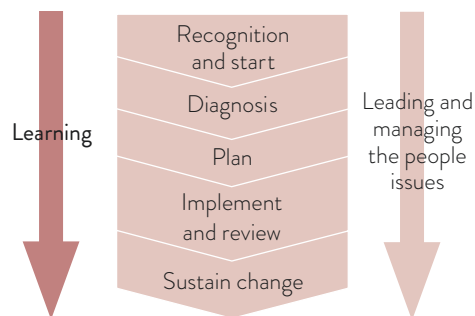
LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Understand what managers can do to learn from their own experience in order to improve their practice of change management.
2. Appreciate the value of bringing a critical perspective to bear on managing change.
3. Explain how reflection and learning can help to minimize the negative effects of reactive and self-reinforcing sequences (discussed in Chapter 1).
4. Distinguish between single- and double-loop learning, and recognize how double-loop learning can challenge accepted ways of thinking and behaving.
5. Describe the barriers that can make it difficult for those leading change to engage in reflective practice.
6. Practice reflection-in-action in order to identify what to do next to secure a change.
7. Use reflection-on-action (after the event) to identify more effective ways of behaving when faced with similar situations in the future.

According to Miles (1982), organizations have leeway and choice in how they adjust to a changing environment and it is this choice that offers the opportunity for learning. Lank and Lank (1995) argue that the quality of individual and organizational learning is an important determinant of organization effectiveness, while de Geus (1988) suggests that the ability to learn faster than competitors may be the only sustainable competitive advantage.

This chapter looks at what those leading a change can do to improve their personal ability to reflect on and learn from their own and others' behaviour. Chapter 28 considers the nature and contribution of collective learning.



LEADERS REFLECTING ON AND LEARNING FROM EXPERIENCE

The process model of change that provides the conceptual framework for this book (see Chapters 1 and 2) focuses attention on reactive and self-reinforcing sequences of events, decisions and actions and how they can affect change agents' ability to achieve intended goals.

In reactive sequences, one party challenges or resists another party's attempt to secure their favoured outcome. This may prompt those leading the change to try to suppress the challenge or overcome any resistance in order to maintain momentum. But this is not the only way they might respond. Challenges and resistance can prompt leaders (and others) to re-evaluate the situation and

trigger a process of reflection and learning that, eventually, can lead to the achievement of superior outcomes. This helpful reflection might be immediate, in the here and now, and shape what those leading the change do next, as in Schön's reflection-in-action, or it might occur after the event, like Schön's reflection-on-action (see Schön, 1983), and affect how change agent(s) might act when faced with similar situations in the future.

On the other hand, self-reinforcing sequences, because they generate positive feedback and support the direction of change, can sometimes camouflage the need for learning. While they can deliver benefit over the short term, there is also a real danger that, over the longer term, they can draw the organization into a path that leads to suboptimal returns. Schreyögg and Sydow (2011) refer to self-reinforcing sequences as entrapping processes that 'often unfold behind the backs' of those involved, leading to unexpected results. In order to minimize any negative impact from these sequences, those leading change need to be able to step back and observe what is going on in order to identify critical junctures and subsequent patterns – some of which may be difficult to discern – and explore alternative ways of acting that might deliver superior outcomes.

Espoused theories and theories-in-use

Concepts and theories, such as those presented in this book, can provide a useful guide for managing change, but, in practice, the way change agents act is determined by their past experience and subjective mental maps that influence how they understand the world. These mental maps underpin what Argyris and Schön (1974) refer to as their 'theories-in-use'. To be effective, leaders need to be aware of their theories-in-use and be prepared to revise them. Unfortunately, all too often, their level of awareness is not high.

Discrepancies between espoused theories and theories-in-use

Whenever a change agent intentionally engages in some form of behaviour to secure a change, their behaviour is based on a theory of action. Argyris and Schön (1974) argue that when someone is *asked* how they would behave under certain circumstances, the answer they give is their *espoused* theory of action for that situation, but, often, this espoused theory does not provide an accurate reflection of how that individual will *actually* behave in practice. This is determined by their theory-in-use. Effectiveness can be undermined when those leading a change are unaware of any inconsistencies and incompatibilities between their espoused theories of action and their theories-in-use, because these inconsistencies can make it difficult for them to understand why some of their actions result in unintended consequences, and why attempts to get the change back on track are not always successful. Some ways in which change agents can avoid these pitfalls are outlined below.

Reflection

When done properly, reflection has a key role to play in helping individuals become more aware of and able to refine their theory-in-use. But what is 'proper' reflection? According to Biggs (1999), capturing and recording decisions and actions can be likened to viewing a reflection of events in a mirror, of what is happening or has happened. While necessary, this kind of observation and recollection is not a sufficient condition for learning. Biggs argues that reflection in professional practice needs to give back not what is, but what *might* be. It needs to point to possibilities for improvement.

The role of reflection in learning from experience

Kolb (1984) highlights two important aspects of Lewin's approach to the place of reflection within experiential learning. The first is the emphasis he placed on here-and-now concrete experience to validate and test abstract concepts, and the second is the importance he attributed to feedback, the process that generates valid information to assess deviations from intended goals. It is this feedback

that provides the basis for reflecting on experience, refining theories-in-use, and improving goal-directed action.

Building on earlier work by Lewin (1951) and Dewey (1933), Kolb (1984) conceptualizes learning as a four-stage cycle (see [Figure 27.1](#)) that translates experience into concepts, which can be used to inform further action. The first stage, Act, involves engaging in an immediate concrete experience. In the context of this discussion, a change agent's theory-in-use might prompt them to interact with others in a particular way in order to secure an intended outcome. The second stage, Observe, involves observing what happened and reflecting on the consequences of the action.

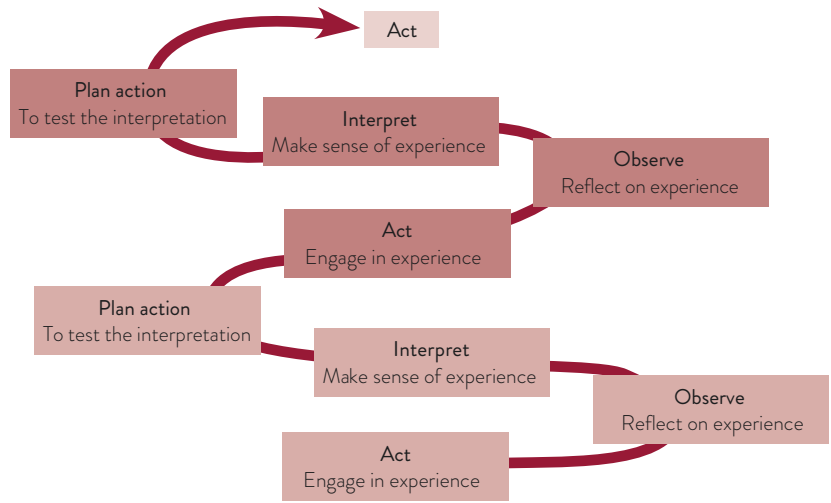


Figure 27.1 *The experiential learning model*

At the third stage, Interpret, the change agent interprets what happened and makes sense of the experience: If the action did not deliver intended outcomes, why was this? These interpretations are then assimilated into the change agent's theory-in-use and may lead to the revision of some cause-and-effect hypotheses that, at stage four, Plan action, provide a basis for planning what to do next and/or how to act in similar situations in the future. Sometimes, this experiential learning model is represented as a circle but, in reality, it is an ongoing process best represented as a spiral ([Figure 27.1](#)).

While Lewin emphasized the importance of here-and-now concrete experience, Cunningham (1999, p. 157) draws attention to the value of reflecting on what has happened in the past. Reviewing one's own history, which might be viewed in terms of what has happened over the course of the current change project, or over the course of this and several previous projects, can lead to the identification of 'deeply ingrained patterns of behaviour [such as the corrective routines we examine below] that tend to be repeated time after time. These patterns or habits may be effective, but sometimes they may be self-defeating.' Cunningham argues that reflecting on past experience can be a useful source of insights that can be tested in the here and now of experiential learning.

Leaders can improve their practice of change management by reflecting on the consequences of their own behaviour and identifying and challenging their assumptions and taken-for-granted patterns of behaving.

Single- and double-loop learning

Argyris and Schön (1978) distinguish between two different types of learning: single- and double-loop learning.

Single-loop learning

Leaders (and others) engage in single-loop learning when they reflect on what is happening (or has happened) and focus their attention on detecting errors and acting on this feedback to modify their and other people's behaviour (see [Figure 27.2](#)). They develop corrective routines within the existing governing variables, the taken-

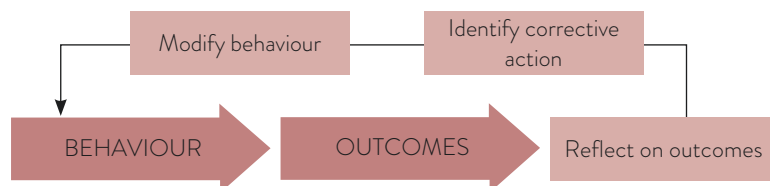


Figure 27.2 *Single-loop learning*

Source: Adapted from A. Swieringa and J. Wierdsma, *Becoming a Learning Organization*, Figures 8a and 8b, pp. 35–6. Copyright 1992 by A. Swieringa and J. Wierdsma. Used with permission.

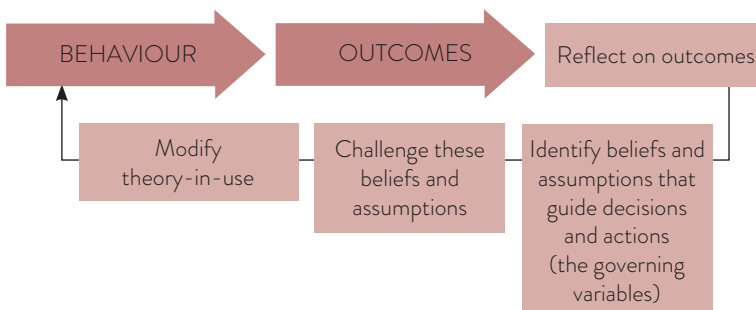
for-granted goals, values and operating frameworks. Argyris and Schön (1978) liken single-loop learning to a thermostat that receives information and learns when it is too hot or too cold, and takes corrective action to restore the temperature to a given level by turning the heat on or off.

Single-loop learning supports continuous improvement and the extrapolation of past trends. While it can be effective in many situations, it is unlikely to be path breaking because it fails to challenge the underlying beliefs and assumptions that guide behaviour; in the thermostat example, assumptions about the required temperature or the more fundamental assumption that the temperature needs to be controlled are taken for granted and not challenged. An overreliance on single-loop learning can lead to path dependence (Sydow et al., 2009), because any new ways of acting are bound by current theories-in-use and taken-for-granted governing variables.

Double-loop learning

Double-loop learning challenges the accepted ways of thinking and behaving and provides the possibility of developing a new understanding of situations and events. It occurs when leaders are able to think outside the box and:

1. Reflect on outcomes.
2. Identify the beliefs and assumptions that underpinned the decisions and actions that led to the achievement of these outcomes, and also the beliefs and assumptions underpinning the definition of satisfactory outcomes – what Argyris and Schön (1974) refer to as the ‘governing variables’.
3. Review and challenge these governing variables.
4. Where appropriate, modify them in ways that open the possibility of experimenting with new ways of behaving (Figure 27.3).



Developing an awareness of competing interests

Reflecting on one's own and others' behaviour can enable leaders to make sense of situations, identify cause-and-effect relationships, develop corrective routines, and challenge beliefs and assumptions that guide their attempts to secure intended outcomes. In addition to this, thinking more critically about how others value these intended outcomes and about the beliefs, assumptions and espoused theories that

Figure 27.3 Double-loop learning

Source: Adapted from A. Swieringa and J. Wierdsma, *Becoming a Learning Organization*, Figures 8a and 8b, pp. 35–6. Copyright 1992 by A. Swieringa and J. Wierdsma. Used with permission.

guide their behaviour can also help change agents achieve outcomes that will be valued by a wider group of stakeholders. Cunliffe (2009) draws on social constructionism (see Berger and Luckmann, 1967), discussed in Chapter 13, and the notion that different actors interpret (construct) reality in different ways to highlight the importance of considering competing interests when reflecting on experience.

Barriers to reflective practice

As mentioned in Chapter 2, it can be difficult for those leading change to step back and reflect on what is going on because they:

- are so bound up in a frenetic range of activities that they have little time or no opportunity for observation and reflection
- are so committed to a course of action that they fail to recognize evidence that challenges their worldview (see the discussion of cognitive biases and interpretive frames in Chapter 1)

- harbour beliefs about the competence and motives of others that makes it easy for them to dismiss their feedback (see the discussion of the assumption that there is little to be gained from dialogue with employees in Chapter 10)
- are insulated from information about the impact of their decisions by organization structures, policies and management practices that impede upward communication and foster a climate of organizational silence (discussed in Chapter 20; see Morrison and Milliken, 2000)
- are so bound up in and entrapped by a path that progressively limits their scope for decision making that they become path dependent (see discussion of path dependence in Chapter 1).

Leaders need to be aware of these barriers that make it difficult for them to break away from an immediate ‘doing’ mode; they need to work hard to adopt an ‘observing’ mode and bring a critical perspective to bear on their everyday practice. Some methods of achieving this are outlined below.

Reflection-in-action

One way of observing oneself in the here and now is to open a ‘second channel’ while interacting with others during the process of managing change. Change Tool 27.1 offers an example of how this can be done. It is a technique that can be likened to an ‘out-of-body’ experience.

CHANGE TOOL 27.1 Opening a second channel to observe oneself in the here and now

Imagine yourself floating somewhere in a corner of the room looking down on your interactions with others as they occur. Observe how you are behaving and think about the reasons behind your actions.

Example

You might open a second channel and observe what you are doing while you are trying to help somebody find the solution to a problem:

- *How do you attempt to help?* Do you listen until you are confident that both you and the other person have a clear understanding of the problem, or do you quickly move on to telling the other person what they ‘should’ do to manage their problem more effectively?
- *What makes you behave in this way?* Once you are aware of what you are doing, give some thought to *why* you are doing it. For example, if you have observed that you adopt a prescriptive approach to helping, consider your reasons for doing this. Is it because you believe you know best and therefore have a duty to solve the other person’s problem for them?
- *Give some thought to outcomes.* If you suspect that this belief is what is motivating your behaviour, consider how it might affect the outcome of the interaction. Consider, also, how this belief might influence your behaviour and other people’s responses in different situations, such as team meetings.

Similarly, you could open a second channel to observe how you behave when meeting somebody for the first time. Monitor what you are thinking at the time and coach yourself to identify and test the assumptions you are making.

Reflecting-on-action

Learning logs can be an effective way of reflecting after the event and identifying and re-examining patterns of behaviour. Gold et al. (2010) suggest that recording experiences in the form of stories can help leaders develop the ability to engage in critical reflection, because stories told from a personal point of view can reveal the beliefs and values of the storyteller. Stories can also raise awareness of competing interests by revealing the assumptions the storyteller is making about others involved in the change.

Gold et al. (2010) advocate the use of learning logs, storytelling and learning charts to help change agents develop the meta-reflection skills that can help them identify and understand key themes and persistent patterns of behaviour. Figure 27.4 presents a learning chart that could have been produced by the CEO of Concrete Flags Ltd. This case was presented in Example 2.1 and is summarized in Example 27.1.

EXAMPLE 27.1 Storytelling to facilitate reflecting on practice at Concrete Flags Ltd

Refer back to Example 2.1 on Concrete Flags. The company had introduced a number of changes to support a new strategy. One of these changes involved the introduction of a new machine that could produce 150 different flags (concrete paving 'stones') on demand. It was installed on time and appeared to be performing well, but it was not long before managers became aware that production targets were not being met. They identified the problem as wet concrete sticking in the weigh boxes. The supplier acknowledged a minor design fault that was quickly rectified and alerted managers to another problem, workers' lack of knowledge and skill.

Within a short time, another problem emerged. Customers began to complain that they had not received a promised booklet with instructions about how to lay their patio.

Figure 27.4 illustrates how managers could have used learning logs to help them reflect on what had happened and re-examine their response. Recording the essential elements of the stories on the learning chart can show connections between events and common themes from both stories.



Getty Images/Afonkin_Yuriy

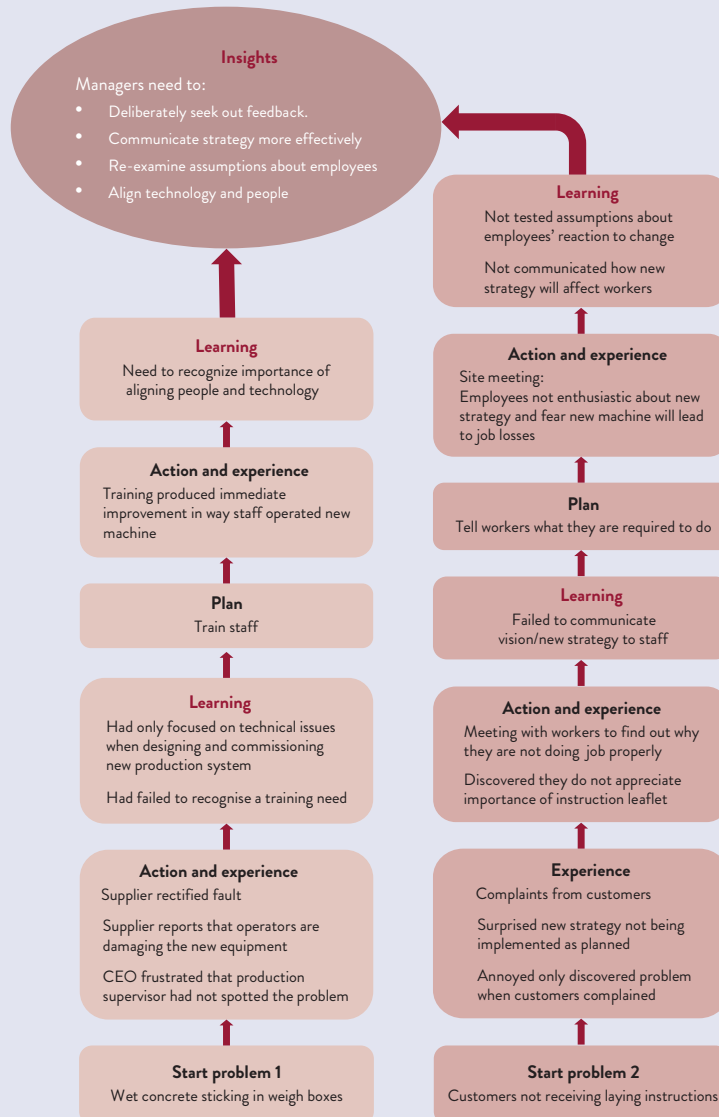


Figure 27.4 A learning chart

In the Concrete Flags case, the plans for action were based on reflections-in-action (train operatives and tell workers what they are required to do) and involved the CEO and his senior colleagues taking the kind of corrective steps often associated with single-loop learning. Using learning logs and learning charts to structure reflection after the event can be a more powerful way of identifying and re-examining patterns of behaviour (double-loop learning). In the Concrete Flags example, after reflecting on both stories, the CEO might have recognized and challenged some of the taken-for-granted assumptions that had guided his behaviour. For example, he might have:

- re-examined some of the assumptions he and senior colleagues had made about employees and recognized the value of trying to see the impact of changes through their eyes
- recognized the importance of aligning people with the requirements of the new marketing strategy and the new production technology
- reviewed the assumption that plans will be implemented as intended and recognized the need to review change efforts on a continuous basis.

Leaders not only need to reflect on their own experience but also encourage others to join with them to reflect on and learn from the collective experience of change. How they can do this is considered in Chapter 28.

SUMMARY

This chapter looks at what those leading a change can do to improve their personal ability to reflect on and learn from their own and others' behaviour.

The distinction between single- and double-loop learning, first introduced in Chapter 2, is explored. Double-loop learning challenges accepted ways of thinking and behaving and provides the possibility of developing a new understanding of situations and events.

Barriers to reflective practice are identified. These include leaders being so bound up in a frenetic range of activities that they have little time or no opportunity for observation and reflection, and being so committed to a course of action that they fail to recognize evidence that challenges their worldview.

Helpful reflection can be immediate, in the here and now, and can shape what those leading the change do next (Schön's reflection-in-action), or it can occur after the event (Schön's reflection-on-action) and affect how the change agent acts when faced with similar situations in the future.

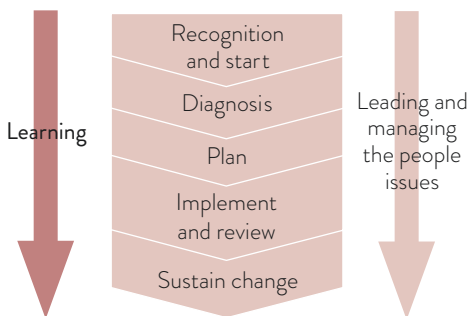


FACILITATING COLLECTIVE LEARNING

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Understand the nature of collective learning.
2. Describe how collective learning can help an organization respond to opportunities and threats.
3. Conceptualize organizations in terms of a set of explicit and implicit rules based on shared mental models.
4. Explain how collective learning involves examining and challenging these collective mental models and associated rules.
5. Identify impediments to collective learning.
6. Intervene to eliminate or minimize the impact of these impediments.



The ability to mobilize processes of collective reflection and learning in the service of value creation is at the heart of modern ideas about the role of leadership (Vince and Reynolds, 2010). This chapter reviews the nature of collective learning, considers how it can contribute to organizational effectiveness, and explores what leaders can do to facilitate this process.

Attention is given to:

- the implicit and explicit rules that prescribe how members interact and behave
- the shared mental models that underpin these rules
- how collective single-loop learning can refine the rules but does not challenge the prevailing shared mental model
- how collective double-loop learning challenges the prevailing shared mental model and offers the possibility of organizational members doing things differently or doing different things
- the role of reflection in collective learning
- impediments to collective double-loop learning
- possibilities for minimizing the effect of these impediments.

Collective learning is especially important in complex and turbulent environments, because senior managers may not be the best placed individuals to identify opportunities and threats. Organizational members, at all levels, who are involved in boundary-spanning activities such as procurement, technical development or sales may have data that could provide a valuable input to strategy formulation. Furthermore, the quality of response to any threats or opportunities that are identified may depend upon individuals and groups located in different functions collaborating and

learning from each other in order to design and produce high-quality products or services in ever shorter time frames. Those leading change have an important role to play in enhancing the collective ability to act more effectively. Leaders need to recognize how others can contribute and act to create the conditions that will enable them to share and reflect on their various experiences and identify opportunities to improve organizational performance.

SHARED MENTAL MODELS, RULES AND BEHAVIOUR IN ORGANIZATIONS

Chapter 27 considered how leaders' mental models affect their behaviour and performance. Here, attention is focused on the way *shared* mental models can affect how people across the organization behave and how this behaviour affects organizational performance.

Swieringa and Wierdsma (1992) conceptualize organizations as a set of explicit and implicit rules that prescribe the way members behave (see Figure 28.1). These rules are based on insights that represent what is known and understood and reflect the shared mental model that organizational members use to examine and make sense of their experience. They relate to everything that happens in the organization. For example, there are rules about the structure of the organization that prescribe how activities will be grouped and responsibilities allocated, and there are rules about how resources are procured and used and how people are managed and rewarded. The collective or shared mental model that underpins the rules reflects the organization's culture. Schein (1990, p. 111) defines culture as:

(a) the pattern of basic assumptions, (b) invented, discovered or developed by a given group, (c) as it learns to cope with its problems of external adaptation and internal integration, (d) that has worked well enough to be considered valid and, therefore, (e) is to be taught to new members as the (f) correct way to perceive, think, and feel in relation to these problems.



Figure 28.1 *The organization conceptualized as a set of rules that prescribe behaviour*

COLLECTIVE LEARNING AND THE MODIFICATION OF RULES

Collective learning occurs when a group of organizational members recognize something that offers a more effective way of functioning. Organizations are more effective when their major components, such as structure, technology, systems and people, are aligned with each other and when there is a good fit between the organization and the environment. Collective learning can facilitate this fit. It involves organizational members diagnosing the organization's predicament, integrating this understanding into their shared mental models, and using it as a basis for modifying, as required, the rules that guide decision making and action. This process is similar to that referred to by Daft and Weick (1984), when they describe organizations as open social systems that seek and interpret information about their environment in order to provide a basis for action.

Modifying the rules via single- and double-loop learning

Argyris and Schön's (1978) distinction between single- and double-loop learning applies to both individual and collective learning. In the context of collective learning, single-loop learning entails the detection and correction of errors leading to a modification of the rules within the boundaries of current thinking (the governing variables). It involves organizational members collectively *refining* the rules that determine how the organization operates and identifying ways of doing things better.

This might involve, for example, revising reporting relationships, redesigning jobs and modifying decision-making procedures. As noted earlier, single-loop learning does not fundamentally challenge the governing variables. It leads to the modification of the rules but not the shared mental model (beliefs and assumptions) on which the rules are based.

On the other hand, double-loop learning challenges accepted ways of thinking and can produce a new understanding of situations and events, which can, in turn, lead to the development of new rules that require organizational members to change their behaviour and do things differently or even do different things. Value innovation, discussed in Chapter 6, is an intervention that encourages managers to engage in double-loop learning and challenge the assumptions they make about customers and markets.

While double-loop learning is often seen as a desirable goal, it can be difficult to attain in practice, especially when a group, department or organization is enjoying a period of sustained success (see the discussion of the trap of success in Chapter 5).

Triggers for double-loop learning

Double-loop collective learning is most likely to occur when desired performance levels are not achieved and the feedback signals a need to re-examine the relevance of the shared mental model. Leroy and Ramanantsoa (1997) refer to incongruous events that violate conceptual frameworks, such as dramatically altered market conditions, as triggers for this kind of learning, and Fiol and Lyles (1983) assert that some type of crisis is necessary to trigger higher level or double-loop learning. However, in the most effective organizations, a sudden discontinuity is not always required; double-loop learning can occur as a matter of course when leaders (and others) are alert to the need to ensure that the organization is capable of adapting to changing circumstances (see the example of Haier in Chapter 3).

THE REVISION OF SHARED MENTAL MODELS: THE KEY TO SUSTAINED SUCCESS

Shared mental models need to be fluid and open to modification if they are to provide an effective basis for assessing the environment and planning action, but they are one of the main sources of inertia identified by Gersick (1991), while Hodgkinson and Healey (2008) point to 'ingrained schemata' as important barriers to organizational change. Unless these shared mental models (which embrace Hodgkinson and Healey's ingrained schemata) are open to revision, they can seriously limit an organization's ability to adapt, and can promote an episodic rather than a continuous response to threats and opportunities (see the discussion of punctuated equilibrium in Chapter 3).

Organizational (collective) learning involves the acquisition of knowledge, the recognition of its potential, and its application to improve organizational performance. Knowledge exists within organizations but it may not always be available to those who can make best use of it. Huber (1991) draws attention to the importance of distributing information. As organizational members gain access to new information, they may be better able to create new knowledge by piecing together patterns that had not previously been apparent, or they may be able to identify and apply the superior practices being used elsewhere in the organization. But information does not always flow freely and so valuable learning opportunities are missed.

REFLECTION AND COLLECTIVE LEARNING

Just as with individual learning, collective learning requires organizational members to find the time and space to step back, break away from an immediate 'doing' mode, and adopt more of an 'observing' mode so that they can bring a critical perspective to bear on their everyday practice.

Postmortems and post-implementation reviews are frequently used to facilitate reflection and learning by dissecting past events, identifying mistakes and producing reports, which include recommendations for improvement. They can be a useful source of single- and double-loop learning but often any lessons learned are not applied in ways that address root problems. Buchanan and Moore (2016) explored some of the problems of implementing change in hospital operating theatres following the investigation of serious safety incidents. They found that while the investigations did expose gaps in hospital procedures and practices, recommendations for change were not always followed through. Buchanan and Moore found that institutional regulations and external demands locked the organization into focusing on a narrow range of actions that could be addressed quickly and neglecting some of the wider systemic issues that were contributing to the problems.

The US Army also discovered that postmortems were not always an effective trigger for change. It was found that bringing in a highly qualified officer to conduct a post-combat review, identify mistakes, and leave the platoon with a checklist to follow next time produces little real learning. The army responded by developing the ‘after action review’ (AAR). It facilitates learning by comparing the commander’s intent (stated at the start of a mission) with what subsequently happens. Parry and Darling (2001) report that the vivid intersection between army doctrine and the standard practices (the ‘rules’) that govern situations (such as ‘movement to contact with an enemy unit’) and direct battle experience allows espoused theory and actual practice to shape each other on a daily basis. The AAR facilitates the testing and, where necessary, the modification of the rules (see Change Tool 28.1).

CHANGE TOOL 28.1 The after action review

It is an intervention that involves a leader (platoon commander) gathering the team on a regular basis to address the following questions:

1. *What was supposed to happen?* This question helps the group clarify and develop a shared understanding of what was expected of them.
2. *What actually did happen?* This question helps the group construct a shared picture of what actually happened. It has to be a collective process because, typically, no one person will be aware of the total picture.
3. *Why did it happen this way?* This step involves exploring deeply what Malby and Fischer (2006) refer to as the ‘relationship rules’ that guide the way people work together, the rules that govern the availability of information, and anything else that is perceived to have influenced performance.
4. *What are we going to change?* This step involves considering what individuals and the group as a whole can do to deliver the intended outcomes and minimize unintended consequences. In the battle context, the aim is to generate insights into what needs to be changed to improve effectiveness and provide the basis for planning the next day’s action.

Parry and Darling (2001) note how the AAR approach has been applied in business settings. Harley-Davidson applied it to improve the process of introducing new models. After each ‘pre-build’, it conducted a series of AARs to compare actual with anticipated performance and use the learning to improve the way it conducted the next pre-build. Also, a wine retailer conducted quarterly AARs with his team, focusing on a single event that happened in that quarter; for example, in one quarter, it was how they had managed a pre-holiday spike in demand. This example gave the team some insights into how they and the system worked under pressure.

IMPEDIMENTS TO ORGANIZATIONAL LEARNING

The essence of collective learning is the joint construction of meaning. This occurs through sharing and dialogue. However, this process is rarely problem free. Sources of difficulty include:

- members’ poor appreciation of the systemic qualities of organizations

- a lack of accessible channels for dialogue and the sharing of meaning
- the context in which sharing and dialogue must occur
- the characteristics of the sources and recipients of knowledge
- ideologies and ingrained mental models
- dysfunctional interactions between competing ideologies.

Poor appreciation of the systemic qualities of organizations

Many individuals and groups have a parochial and limited view of their role, which restricts their ability to contribute to organizational learning. Egan (1988) discusses the need to promote ‘business thinking’, which relates to the organization’s overall mission and the importance of markets, competitors, customers, and the products and services that satisfy customers’ needs and wants. ‘Organization thinking’ is more blinkered and is essentially inward-looking, concerned with the way the firm organizes its structures and processes to engage in its business. Organization thinking is important but, sometimes, people become too preoccupied with the details of their particular role or department and ignore how what they do affects others and how this impacts on the overall effectiveness of the business.

Lean thinking, discussed in Chapter 13, seeks to shift attention away from ‘departmental’ or functional thinking to thinking about value-creating processes across the enterprise. Another intervention that promotes systems thinking is business process re-engineering (see Chapter 13). McNulty and Ferlie (2002), commenting on attempts to re-engineer processes within a large hospital, suggest that process mapping enabled doctors, nurses and other stakeholders to analyse and understand the end-to-end care process and develop a vision of how the process could be improved.

There are a number of techniques that those leading change can use to facilitate a better appreciation of an organization’s systemic qualities. One is the organization mirror (Change Tool 12.3), a useful tool for helping organizational members to appreciate how what they do can affect other individuals, groups and departments across the system. Another tool is the priority review (see Change Tool 28.2), which can be used to expose inconsistencies between espoused theories and theories-in-use. It highlights discrepancies between what people say is important and what their actions suggest are their actual priorities. It often highlights the attention given to local priorities at the expense of strategic goals.

Malby and Fischer (2006) argue that organizations get more of whatever they pay attention to and suggest that helping senior managers examine what they actually do can provide a real sense of what really counts in the organization. Mapping this onto the declared purpose and values of the organization can identify issues that might be adversely affecting organizational performance (Change Tool 28.2).

CHANGE TOOL 28.2 Priority review

The process presented here is based on an organizational feedback process described by Malby and Fischer (2006):

1. Invite members of a team, for example the top team or those responsible for managing a department or business unit, to individually write down what they think the organization exists to do and what they think they pay attention to.
2. Help them gather evidence about what individuals and top groups actually focus their attention on. This might involve reviewing the minutes of management meetings over the past six months, reviewing diaries to see how people spent their time, and reviewing the content of corporate communications.
3. Analyse the evidence and work out what issues receive most and least attention.
4. Display the results in a way that highlights what gets most and least attention.
5. Help members identify patterns and any surprises. How do the issues that receive most attention relate to the purpose of the organization? Is there any evidence of parochialism or ‘drift’? Are people getting caught up in issues of the moment and neglecting what is important?

6. In the light of findings about what people actually do, consider whether the declared purpose of the organization is still valid. If not, consider revision.
7. Consider whether the most important issues are receiving sufficient attention and whether the ways of working on these issues are as effective as they might be.

Lack of accessible channels for dialogue and the sharing of meaning

The active participation of organizational members is a critical element in collective learning. Bessant et al. (2003) highlight the importance of feedback and the challenge and support that others can provide. When learning is shared, the data on which it is based are open to challenge. Others can reassess the reasoning and logic that led to conclusions. In other words, meanings are not just exchanged.

Dixon (1997) argues that shared meaning is *constructed* in the dialogue between organizational members. She believes that in the process of articulating one's own meanings and comprehending the meanings others have constructed, people alter the meanings they hold. Unfortunately, the conditions that facilitate this process are often lacking. This has prompted many organizations to experiment with interventions designed to overcome some of the barriers to understanding between individuals and groups. These include 'awaydays', the organization mirror process mentioned above, team approaches, such as action research and Revans' (1980) action learning, and 'whole system in the room' processes, such as General Electric's Work-Out, Weisbord's strategic search conferences, and the conference method for developing a 'preferred future' (Change Tool 12.6).

In Chapter 5, it was noted that senior managers can act in ways that encourage subordinates to share information and contribute to the formulation of the change agenda, but it was also noted in Chapter 20 that managers' fear of negative feedback and their negative beliefs about the commitment of employees lower down the organization can create a climate of silence, and give rise to the development of structures and processes (such as centralized decision making and the absence of formal mechanisms for soliciting feedback) that make it difficult for some organizational members to get their views heard. The various interventions mentioned above can provide channels for dialogue and learning. Example 28.1 illustrates the value of awaydays and how soliciting feedback and encouraging dialogue can produce benefits.

EXAMPLE 28.1 Bone density scans

Bone density scans at an NHS hospital were scheduled for 30-minute slots to accommodate variations in scan times, which varied from 10 to 50 minutes, and manage patient waiting times. At a departmental awayday, a junior member of staff pointed out that the main factor determining the length of a scan was the patient's body weight. This information was not requested on the patient referral form. Amending the form and adjusting scan times to match patient needs led to a marked increase in the number of scans completed in each session and a reduction in patient waiting times.

The member of staff who had triggered this improvement admitted that he had been aware it was possible to reduce the average scan time for a long time but had not said anything because no one had asked.



BRAND X

The context in which sharing and dialogue occurs

Some aspects of context have already been mentioned, such as opportunities for dialogue, but others include the organization's structures and processes, the quality of relationships, attitudes towards mistakes, and levels of transparency.

Brown and Eisenhardt (1997) illustrate the importance of structures and processes when describing the characteristics of firms that are able to manage change as a continuous process (see Chapter 3). They refer, for example, to permeable organization structures that facilitate improvisation and the modification of work practices through mutual adjustments.

The quality of relationships between organizational members can affect the quality of organizational learning because the acquisition of knowledge, the recognition of its potential, and its application to improve organizational performance often require numerous individual exchanges.

Attitudes towards mistakes and failures can have an important impact on the quality of learning. Husted and Michaiova (2002) argue that mistakes are often the result of exploring unknown territory and can be a vital source of new insights, but they are often buried and kept secret. This happens when organizational members are uncertain about how others will react and especially when they fear they will be blamed for wasting resources. Blame cultures limit information sharing and increase the possibility of the same mistake being made repeatedly. They also inhibit creativity and learning because people are motivated to play safe and avoid experimentation. Google is a company that has developed a positive response to mistakes, which we will see in Example 28.2.

EXAMPLE 28.2 Google as a learning organization

Throughout the whole organization, there is a good appreciation of the systemic qualities of Google and a clear understanding that success not only depends on being aligned with the external environment but also on taking initiatives that will shape the external environment. For example:

- Products are often launched early, in pre-mature stages, to receive input from users and developers. In this way, Google learns about what the market demands.
- Many products are released 'open source', with all the source codes being shared freely with developers worldwide, so that they can build on Google's initial offering to develop a better core product and, importantly, use this as the basis for developing component products.
- In-house creativity is fostered by allowing employees to spend 20 per cent of their time experimenting with whatever they want to explore. This has been the source of many well-known Google products.
- The value of dialogue and open communication is widely recognized. Google has developed a transparent approach to knowledge management to ensure that no opportunities are missed for learning from colleagues or joining forces with others to develop new ideas. This is helped by structures that have few layers and a culture that promotes teamworking.
- The culture also encourages risk taking and learning from mistakes. It is absolutely understood that exploration and learning involves taking risks. Failure is not a problem; it is regarded as a sign of having explored, and it teaches the organization what works and what does not. People are not motivated to hide failures because it is only when they are shared that the learning effect is achieved.

The big question is whether, in the light of its success and the need to pay attention to shareholder value, Google will be able to retain this learning culture. The company was founded in 1998 by Larry Page and Sergey Brin while they were students at Stanford University. In 2004, they floated Google to raise new capital and, in 2015, following a corporate restructure, Google and several former subsidiaries became Alphabet. By 2020, Alphabet had a stock market value of over \$1 trillion, making it only the fourth US tech group to cross that threshold.

Greiner's (1972) life cycle model posits that as companies grow and mature, they move through five predictable stages of development (see Chapter 4). He describes the first as 'growth through creativity leading to a crisis of leadership'. He argues that many company founders are entrepreneurial and technically oriented and the organization's structure, systems

and culture tend to be informal. But, as the organization grows, the need for more knowledge about efficiencies, more professional systems for maintaining financial control, and more formal approaches for managing and developing people can lead to a crisis of leadership. Greiner suggests that a new approach to managing and leading the business may be required, and often the way forward is for the founders to bring in a strong business manager from outside. This happened at Google when Eric Schmidt, former Sun Microsystems CEO, joined the company in 2001 as CEO. Google/Alphabet is still growing, so the challenge will be how to sustain this growth without compromising the organization's capability for double-loop learning.

Transparency is another contextual factor that can affect collective learning. One view is that transparency can facilitate collective learning by improving the access of managers and colleagues to expertise, experience and stored knowledge, and reduce the risk that the benefits of localized problem solving will be contained and fail to contribute to organization-wide learning. This has encouraged some organizations to adopt an open space design that provides clear observability and the introduction of advanced surveillance and knowledge search technologies. There is an alternative view that observability discourages experimental learning responses (Zajonc, 1965) and encourages hiding behaviour, and that some level of privacy facilitates learning by supporting productive deviance, localized experimentation and distraction avoidance. Research Report 28.1 describes a study by Bernstein (2012) that points to a paradox of transparency.

RESEARCH REPORT 28.1 Transparency and collective learning

Bernstein, E.S. (2012) The transparency paradox: A role for privacy in organizational learning and operational control, *Administrative Science Quarterly*, 57(2): 181–216.

Bernstein conducted two studies to challenge the assumption about the link between visibility of action and accessibility of knowledge and the value of transparency for productivity and learning.

Study 1

Study 1 was a four-week inductive qualitative study. Three researchers were embedded in the world's second largest mobile phone factory in China, and simultaneously worked on assembly lines as operators and participant observers. Supervisors and fellow workers were unaware of the researchers' true identity. During meal and toilet breaks, the researchers visited an isolated office and recorded their observations. At the end of the month, they revealed their role to their colleagues, administered a survey, and recorded interviews with several of the workers with whom they had developed good relationships.

Results

It was observed that operators hid their innovative work practices from others in order to avoid the need to explain them and to avoid getting into trouble for doing things differently. Bernstein reports that the researchers were shown better ways of accomplishing tasks and a 'ton of little tricks' that enabled faster, easier and safer production, but they were also told that whenever customers, managers, line leaders, six sigma auditors or other 'outsiders' came around, they should perform the task in accordance with the posted rules. Operatives felt that it was less costly for them to hide their knowledge and learning than to share it. This hiding behaviour was facilitated by the high level of visibility across the factory floor. While the factory layout had been designed to help managers and supervisors observe the way operatives were working, it also helped operatives spot managers and others long before they arrived.

These findings were in line with Zajonc's observation that being observed can trigger dominant, practised responses rather than experimental, riskier learning responses, and they encouraged Bernstein to investigate further the value of privacy on the factory floor.

Study 2

Study 2 was a field experiment. Two of the 16 production lines, each working two shifts per day, were randomly selected for the experimental condition and were shielded from view by the equivalent of a hospital bed curtain, leaving the remaining 14 lines as treatment controls. Bernstein tracked hourly production and quality data for all the lines and collected qualitative data by embedding a participant observer in one of the experimental and one of the control lines.

Results

Performance on the lines surrounded by curtains increased by 10–15 per cent. The qualitative data collected by the observers indicated that the privacy provided by the curtains contributed to the boost in performance by permitting the operatives to:

1. *Tweak* the line to resolve temporary problems. Bernstein refers to this as ‘productive deviance’. For example, operatives working on the control lines (no curtains) were disinclined to tweak because, if outsiders caught them, they could be blamed for causing the problem they were trying to solve, and when they did try to resolve a problem, they would carefully hide the adjustments they had made. Bernstein reports that the curtain on the experimental lines changed this dynamic significantly. Tweaking within the curtain became much more transparent to other operators and these other operators could work with the tweeker to make further improvements. The participant observer on the experimental line also observed that, as bottlenecks arose, the workers responded as a team and moved fluidly to reduce them, and that operators, when they were not busy, switched roles so that they could learn multiple tasks, thereby improving their capability to tweak. The reduced transparency offered by the curtain permitted tweaking, but it was the improved transparency *inside the curtain* that allowed the tweaking to be effective.
2. *Experiment* with new ideas that could deliver permanent improvements to the line prior to explaining them to management. The curtain made it easier for operatives to collaborate on the development of new ideas and develop and test a prototype process without attracting the attention and interference of outsiders.
3. *Avoid waste* by removing the need to engage in many non-value-added hiding activities. On the curtained lines, there was less need for lookouts to spot the approach of outsiders and, when they were spotted, for everybody to assume the less productive but officially sanctioned working practices.

This study offers support for Bernstein’s notion of a transparency paradox, whereby increasing the level of observability of workers can (counterintuitively) reduce their performance by encouraging them to conceal their tweaking and experimentation through costly hiding behaviours, whereas creating zones of group-level privacy may, under certain conditions, promote learning by facilitating productive deviance, localized experimentation and distraction avoidance.

Characteristics of the sources and recipients of knowledge

An important factor that can influence an organization’s ability to learn is the willingness of individual organizational members to share with others the meaning they have constructed for themselves as they encountered new experiences and ideas. Issues of confidentiality may prevent some sharing, but sometimes knowledge is withheld for what Dixon (1997) describes as ‘political and logistical reasons’. These include gaining a personal competitive advantage, or a perceived lack of interest on the part of others in what the individual might want to share. Trust is also an issue. Lines et al. (2005) argue that whether change agents and others gain access to the knowledge and creative thinking they need to solve problems depends largely on how much people trust them.

A related problem, referred to by Dixon (1997), is that some organizational members may be reluctant to consider the relevance of knowledge that others are willing to share with them. Individuals and groups may prefer to develop their own ideas and knowledge and reject knowledge that is ‘not invented here’. They may also reject knowledge because they have reservations about the

source's reliability or trustworthiness, or because they fail to recognize its relevance or fear it may pose a possible threat to their interests. Example 28.3 below illustrates some of these problems. BQR, a large Indian retailer, created an innovation lab to generate ideas capable of kick-starting the successful, but increasingly complacent parent company into a renewed phase of profitable growth. Because the retailer had an exacting hierarchical culture that was intolerant of mistakes, embedded ways of working and a business model that had not changed for over a decade, it was decided that the best way to stimulate creative innovation would be to launch an innovation lab, staffed by outsiders, located well away from BQR HQ. The innovation lab produced many ideas but they failed to have any impact on the business because they were not welcomed by staff working at HQ, in the distribution centres or out in the stores.

EXAMPLE 28.3 The failure to transfer ideas from an innovation lab to the parent business

BQR (as it will be referred to here) is a family-owned chain of departmental stores, originally located in Mumbai but now serving communities across much of India. Successive generations of family members have led the businesses through a long period of profitable growth, refining the business model and developing a strong culture that supports the BQR way of doing business.

Recently, some younger family members, who were beginning to assume more responsibility for running the business, began to share concerns about the changing retail landscape. They were aware that some of their competitors were adopting multichannel strategies in order to serve existing customers more effectively and win new business. They were also aware that a growing number of retailers were beginning to increase their investment in IT and develop software to improve supply chain management and inventory control. They raised these concerns with their seniors and after a period of robust, and sometimes uncomfortable, debate won their approval to search out opportunities for transforming the business. Eventually, it was agreed that the focus should be on ways of generating and using big data.

A small team was created to take this project forward. They started by investigating how other businesses across India and Europe had gone about promoting creative innovation. This led to a decision to set up an innovation lab and to keep it at arm's length from the parent company so that BQR's bureaucratic culture would not stifle creative thinking. People with experience of managing incubators and accelerators were brought in to manage the lab and identify the creative talent they needed. The lab got off to a good start. Talented staff, a flat structure and a culture that rewarded creativity and valued failure as feedback to support learning led to the development of a number of promising ideas. Unfortunately, these ideas had little impact. Managers who had been invited to a two-day conference to review the innovation lab's initial proposals were unimpressed and reluctant to work with the innovation lab to explore ways of introducing them into the business.

The team that had overseen the creation of the innovation lab were surprised by this hostile response and conducted a follow-up survey to understand why the ideas had been rejected. One reason was the 'not invented here' syndrome, made worse because not only had the proposals to use big data not been invented here, they had been 'invented' in secret by people working in a unit that, for some reason unknown to them, had been hidden away. Other reasons included a poor appreciation of the need for change. Those surveyed failed to understand the need for disruptive change. In their eyes the business was doing well, so why change what was working? There was also a lack of understanding about the nature of big data or how they could contribute to the success of the business, and a fear that existing staff may not have the capabilities to deliver what might be expected of them following changes.

The motivation to consider and utilize knowledge from other sources is not the only problem. Cohen and Levinthal (1990) suggest that a lack of 'absorptive capacity', that is, the ability to value, assimilate and apply new knowledge, might render recipients, such as the managers working at BQR, incapable of exploiting the knowledge available to them.

Ideologies and pressures for conformity that constrain creative thinking

Shared mental models can be detrimental to organizational learning. Walsh (1995) cites a number of case studies that link 'organizational blunders' to dysfunctional information processing. Problems arise when a group holds a shared schema that distorts its understanding of the information world in a way

that makes it blind to important aspects of its environment. In terms of Swieringa and Wierdsma's model, the 'rules' used to guide behaviour are based on an inadequate understanding of the environment and they fail to promote behaviours that contribute to the organization's continuing success.

Weick (1979, p. 52) points to the phenomenon of groupthink (see Janis, 1972) as an example of the dysfunctional consequences when people are dominated by a single, self-reinforcing schema: 'Having become true believers of a specific schema, group members direct their attention towards an environment and sample it in such a way that the true belief becomes self-validating and the group becomes even more fervent in its attachment to the schema.'

All too often, individuals and organizations fail to exploit the full potential for learning because they are unaware of the extent to which their mental models filter out important information. This points to the importance of double-loop learning and raising awareness of, and challenging, the paradigms, maps and assumptions that regulate behaviour and organizational functioning.

Dysfunctional interactions between competing ideologies

It is not unusual for different constituencies within organizations to champion different goals and construct different versions of reality. Schein (1996) argues that, in almost every organization, three important subcultures have a major impact on the organization's capability to innovate and learn. These are the operator culture, the engineering culture and the executive culture. The operator culture is essentially an internal culture, but the engineering and executive cultures have their roots outside the organization in wider occupational communities. Engineers, for example, have common educational backgrounds and are influenced by the external professional bodies that license them to practise, while CEOs share problems unique to their role.

Operations managers value people as human assets. They tend to be sensitive to the interdependencies between the separate elements of the production process and recognize that, regardless of how carefully engineered a process is, its effective functioning will be determined by the quality of human interaction. Openness, mutual trust, commitment and people's ability to learn and adapt to unanticipated circumstances are highly valued. On the other hand, according to Schein (1996, p. 14), engineers, systems designers and technocrats (broadly defined) are attracted to their profession because it is abstract and impersonal. They are pragmatic perfectionists who prefer people-free solutions. They 'recognize the human factor and design for it, but their preference is to make things as automatic as possible'. CEOs and their immediate subordinates tend to be preoccupied with the financial survival and growth of the organization, and focus much of their attention on boards, investors and the capital markets. Schein argues that their self-image tends to be the embattled lonely warrior championing the organization in a hostile economic environment. They develop elaborate management information systems to stay in touch with what is going on in the organization and impose control systems to manage costs. People tend to be viewed as 'resources' and are regarded as a cost rather than human assets.

Dysfunctional interactions arise when the three cultures are misaligned. Schein (1996) provides examples from a range of different organizational contexts. One relates to how the managers of operational units in a nuclear power generating company had their various plans for performance improvement overruled by the corporate engineering community who wanted to find standard solutions to common problems and the executive culture that was anxious to control costs. Another focused on teachers (operators) who valued human interaction with their students, and the advocates of computer-based learning (engineers) on the one hand and school managers on the other who wanted to control costs by increasing class size, thus reducing the human interaction so valued by teachers.

Schein (1996) argues that a major problem is that we have come to accept conflict between the three cultures as 'normal', which has encouraged members of each culture to devalue the concerns of the other cultures rather than look for integrative solutions. As noted above, an organization's ability to learn is largely determined by the receptiveness of organizational members to the concerns and knowledge presented by others and their willingness to be open and share their knowledge and concerns

with others. All three cultures are valid and can be a source of valuable learning. CEOs do need to worry about the financial health of the organization and engineers can make a valuable contribution by developing systems or solutions that eliminate human error. The way forward, therefore, is not to allow one of the three cultures to define reality for the others, but to seek greater alignment by developing sufficient mutual understanding to allow members to develop and implement integrative solutions.

However, because members of the executive and engineering cultures belong to wider occupational communities, even when organizations make great efforts to align these three cultures, the effect might be short-lived. Schein (1996) suggests that executive succession, for example, might lead to the appointment of a new CEO who may take the organization back to where it used to be. Schein concludes that until executives, engineers and operators realize that they use different languages and make different assumptions about what is important, and accept that the assumptions of the other cultures are valid and worthy of attention, organizational learning efforts will continue to fail.

There are a number of interventions that change managers can use to facilitate learning between groups and members of different subcultures. Beckhard (1969), for example, describes a method for managing differences between groups. Details of this intervention can be found on the book's companion website: bloomsbury.pub/hayes-change-management-6e.

✓ EXERCISE 28.1 Assessing the quality of collective learning in your organization

Consider the quality of organizational or collective learning in your organization, or in a part of the organization you are familiar with. If you do not have much experience of work organizations, assess the quality of collective learning in some other context, such as your university's student union, or a sports club or religious community you are involved in. When making your assessment, reflect on the following:

- What is the balance between single- and double-loop collective learning and how does this relate to the kinds of change (continuous or discontinuous) confronting the organization or unit?
- Do people fully appreciate the systemic nature of the organization and are they aware of how what they do affects overall organizational effectiveness?
- Are people motivated to share experiences and ideas, and seek a more effective way of operating?
- Is there an ideological commitment to an established way of doing things that discourages innovation and the exploration of new possibilities?

SUMMARY

Organizational (collective) learning involves enhancing the collective ability to act more effectively. The collective nature of learning is especially important in complex and turbulent environments because, in such circumstances, senior managers may not be the best placed individuals to identify opportunities and threats. Responding to threats or opportunities may require individuals and groups located in different functions to collaborate and learn from each other.

Organizations are conceptualized as a set of explicit and implicit rules that are based on the shared mental model that organizational members use to examine and make sense of their experience. These rules prescribe the way members behave.

Organizational learning involves the acquisition of knowledge, the recognition of its potential and its application to improve organizational performance. Double-loop collective learning involves identifying and challenging the governing variables (mental models) that determine the rules and seeking more effective ways of behaving.

Some of the impediments to collective learning were discussed.

Exercise 29.1 will help you to reflect on what you have learned from Chapters 27 and 28.

Visit bloomsbury.pub/hayes-change-management-6e for further learning resources.



PULLING IT ALL TOGETHER: A CONCLUDING CASE STUDY

LEARNING OBJECTIVE

To consolidate your learning about change management.

This book has covered a lot of ground. This last chapter is designed to provide you with an opportunity to review what you have read and to think about how the many theories, models, techniques and tools can be applied to the management of a single case. You can do this on your own or with others.

After reading Case Study 29.1, reflect on the content of the whole book, or those parts of the book you are familiar with, and identify the concepts, theories and tools you feel would be most helpful if you were invited to advise the manager of the urology department about how best to manage the situation.

If you undertake this assignment with others, follow the three steps outlined below:

1. Working in small groups, identify the *three* concepts or theories you feel are most relevant to this case.
2. Share your views in a plenary session with members of the other groups and justify your selection.
3. Working in small groups, taking account of the views expressed by other groups in the plenary discussion:
 - formulate the advice you would give to the manager of the urology department
 - explain how this advice is informed by theory.

CASE STUDY 29.1 Managing change in the urology department of a hospital in England

The Department of Urology in an NHS hospital in England is struggling to respond to external pressures for change. The manager responsible for the department has approached you for advice about how to manage the situation.

For many years the department has operated with five consultant surgeons, a number of middle-grade and junior doctors and a complement of nurses and other clinical staff. In terms of infrastructure, it has two 18-bed wards (co-located shared rooms with beds for patients who require a similar kind of care) and two operating theatres. Several departments within the hospital provide support services for diagnostic investigations and other essential supporting functions, such as anaesthesia, medical records and pharmacy.



IMAGE 100

The immediate trigger for change was the combined impact of a financial crisis and the full implementation of the European Working Time Directive (EWTD), the new European Commission regulations limiting the number of hours that medical staff are allowed to work.

Factors contributing to the financial crisis

The UK government introduced new regulations requiring all NHS hospitals to treat non-emergency patients within 18 weeks, and financial penalties were introduced for failing to comply with the 18-week referral-to-treatment target. The urology department was unable to meet this target with its in-house resources and responded by subcontracting some treatments to a private hospital. Initially, this was a cost-effective solution but, over a period of time, costs increased to the point where the urology department was losing money on every patient it sent to the private hospital. Most members of staff were unaware of this. It was not until managers called an emergency meeting that staff, including the five consultant surgeons, realized that there was a problem. Managers were criticized for not sharing this information earlier.

Factors contributing to the shortage of medical staff

Full implementation of the EWTD was delayed for several years, and the urology department was only required to comply with an interim target that restricted junior doctors to working a maximum 56-hour week. When, eventually, the EWTD was fully implemented and a maximum 48-hour week was imposed, this led to staffing problems that have significantly compromised the department's ability to provide quality and continuity of patient care. It has also undermined the quality of the training given to junior doctors. For example, junior doctors working night shifts do not have the opportunity to assist surgeons undertaking complex operations or to practise operating procedures under their supervision. The situation has deteriorated to the point where the external body responsible for validating the training has threatened to withdraw its validation.

Managing the crisis: the story so far

Members of the executive team, which includes the five consultant surgeons, senior nurses and senior managers, have agreed that there is an urgent need to:

- bring the work currently being performed in the private hospital back into the urology department
- provide an EWTD-compliant rota for junior and middle-grade medical staff that does not compromise patient care or training.

They have also agreed that this will require the department to expand its physical resources – number of beds and operating theatres – and to recruit more staff. However, they have failed to produce an agreed plan to meet these challenges.

Members of staff who are not part of the executive team do not appear to appreciate the seriousness of the problem. Some of the reasons why the situation is proving difficult to manage are:

- *A tension between managers and clinicians:* Some doctors and nurses perceive managers as being motivated by financial and other concerns not directly related to patient care. They believe that managers also lack specialist knowledge about patients' needs. Managers, on the other hand, believe that many clinicians fail to appreciate that efficiency-improving and cost-cutting measures can be achieved without undermining the quality and safety of patient care, and that often more efficient ways of working can deliver improved clinical outcomes.
- *A failure to agree about the extra beds, operating theatre and staff capacity that will be required to treat all patients in-house:* Some members of the executive team believe that better utilization of existing beds could reduce the number of extra beds required. There is also a view (again not shared by everyone) that steps could be taken to improve the efficiency of the operating theatres and make better use of staff time.
- *Information overload:* Emails are regularly cascaded from the senior executive team to all staff about a wide range of matters. This has led some staff to ignore messages, with the result that important information is not always disseminated effectively.
- *The slow response of those who have been asked to investigate problems and provide the executive team with data for decision making:* For example, a departmental theatre efficiency group was formed to improve the efficiency of operating theatres, but the results of a six-month survey of activity are still not available, despite this being crucial to determining the potential throughput of patients.

- *The poor quality of the data collected by department members on a regular basis as part of their normal work:* For example, medical procedures are often wrongly coded. This makes it difficult to forecast future income. It has also resulted in the loss of income in the past, thereby contributing to the department's financial problems.
- *Finally, plans to increase medical and nursing staff numbers have been frustrated by disagreements about the number and grades required:* There are two conflicting views. Managers concerned about the department's financial position and the need to stop subcontracting work out to the private hospital are leading the argument in favour of recruiting more consultant surgeons. This argument is being resisted by others who believe that there is a more pressing problem that has to be addressed first. They argue that middle-grade and junior doctors are unable to support the current level of activity generated by the existing five consultant surgeons. Consequently, the first priority should be to recruit three or four new junior doctors. This way forward, they argue, will also help to ensure that the work rotas for sub-consultant-grade doctors will be EWTD-compliant, will provide more time for training, and could improve the productivity of the existing consultants by enabling them to run larger outpatient clinics.

✓ EXERCISE 29.1 Reflect on what you have learned from working on the three chapters in Part VIII

Based on what you have read and learned from the various exercises in Part VIII, identify a short list of questions that could help you and others assess how well the issues that need to be managed when seeking to 'learn from the process' are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part VIII at the end of the Introduction to Part VIII. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

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AUTHOR INDEX

A

- Abramson, L.Y. 232, (431)
Adair, J. 254, (432)
Adams, J. 346, (437)
Adams, J.S. 366, (438)
Aguinis, H. 191, 285, 288, 296,
(430), (434), (435)
Ahern, K. 309, (436)
Al Humaidan, S. 63, (426)
Alban, B. 182, (429)
Allen, J. 306, 313, 365, (436), (438)
Allinson, C.W. 62, (426)
Amit, K. 299–300, (435)
Ancona, D.M. 244, 252, (432)
Anderson, M.H. 254, (432)
Antonakis, J. 254, (432)
Argyris, C. 323, 402, 403–4, 409,
(437), (439), (440)
Armenakis, A.A. 87, (426)
Arnold, M. 44, (424)
Arthur, C. 251, (432)
Arthur, W.B. 9, (423)
Asano, K. 143, (428)
Athos, A. 110, (427)
Avolio, B.J. 254, 255, (432)
Axelrod, R.H. 178, (429)

B

- Bachkirova, T. 170, (429)
Bailey, T. 192, 193, (430)
Baird, M. 163, (429)
Bales, R.F. 122, (428)
Balogun, J. 144, 145, (428)
Baltic Times, The 147, (429)
Bamforth, K.W. 169, (430)
Bandura, A. 171, 172, (429)
Bargal, D. 137, (428)
Barnett, W.P. 5, (423)
Barringer, B. 62, (426)
Barrington, H. 190, (431)
Bass, B.M. 254, (432)
Bateman, N. 383–4, 386, (438)
Bazerman, M. 267–8, (434)
Bazerman, M.H. 162, (429)
Beck, T.E. 64, (426)
Beckhard, R. 21, 153, 157, 179, 386,
419, (423), (429), (438), (440)
Beer, M. 138–9, 140–2, 145, 307,
392, (428), (436), (439)
Begley, T.M. 323, (437)
Beiker, S. 43, (424)
Bekmeier-Feuerhahn, S. 346, (437)
Belbin, R.M. 234, (431)
Bell, C.H. 137, 138, 180, (428), (430)
Ben-Tovim, D.I. 202–3, (430)
Bennis, W. 241, (432)
Berger, P.L. 404, (439)
Berman, S.L. 282, (434)
Bernstein, E.S. 415–16, (440)
Bertok, J. 297–8, 301, (435)
Bessant, J. 413, (440)
Bhave, M.P. 21–2, 62, 371,
(423), (426), (438)
Biggs, J. 402, (439)
Birkinshaw, J. 315, (436)
Björnberg, A. 47, (424)
Blake, R.R. 213, 231, 235, 254, (431), (432)
Blanchard, K. 254, (433)
Bloom, N. 382–3, 386, (438)
Boje, D. 137, (428)
Bolden, R. 242, 255, (432)
Bowen, H.R. 281, 296, (434), (435)
Bowers, D.G. 180, (429)
Bradley, C. 44, 56, 57, (424), (425)
Branicki, L. 143, 204, (428), (430)
Bridges, W. 21, 331, 342, 345, (423), (437)
Brockner, J. 275, (434)
Brown, A. 386, (438)
Brown, L.D. 175, 185, (430)
Brown, M.E. 259, (432)
Brown, S.L. 34–5, 42, 48, 308,
414, (424), (436), (440)
Bruch, H. 161, 247, (429), (432)
Bryman, A. 254, (432)
Buchanan, D.A. 381, 382, 384, 386–7,
390–2, 411, (438), (439), (440)
Bucy, M. 43, 49, (424)
Bunker, B.B. 182, (429)
Burgelman, R.A. 34, (424)
Burke, R.J. 344, (437)
Burke, W.W. 26, 35, 112–14,
118, 119, 124–5, 212, (423),
(424), (427), (428), (431)
Burnes, B. 19, 25, 85–6, 137, 138, 144,
145, 259, 285, 325, (424), (426),
(428), (432), (434), (437)
Bushe, G.R. 186, (430)
By, R.T. 87, 242, 259, 262,
(427), (432), (434)

C

- Cable, D. 315, (436)
Cameron, E. 253, (432)
Campbell, P. 63, 77, (426)
Carmeli, A. 143, 245, 316–17,
(428), (432), (436)
Carnegie, D. 229, (431)
Carrol, A.B. 283, (434)
Carroll, A.B. 267, (434)
Carroll, G.R. 5, (423)
Cartwright, D. 174–5, (429)
Cartwright, S. 208, (430)
Caudron, J. 55–6, (425)
Chakravarthy, B. 34, (424)
Champy, J. 196, 198, (430)
Chatterjee, S. 208, (430)
Chattopadhyay, P. 69, (426)
Chazan, G. 44, (424)
Child, J. 85, (427)
Chittipeddi, K. 247, (432)
Choi, M. 322, 325–6, (437)
Christensen, C.M. 53, 54, 57, 58,
(425)
Clair, J.A. 115, (427)
Clampitt, P.G. 275, 305, 306, 316,
318–19, 362, 364, (434), (436),
(438)
Clarkson, M.B. 265, 267, (434)
Clegg, C.W. 23, 28, 90, 154–5,
(424), (427), (429)
Coch, L. 325, 330–1, (437)
Coghlan, D. 137, (428)
Cohen, C. 69, (426)
Cohen, W.M. 417, (440)

- Collins, T. 149, (428)
 Collinson, D. 255, (432)
 Colquitt, J.A. 315, (436)
 Colville, I. 244, 245, (432)
 Conger, J.A. 12, 247, 250, 285,
 286, (423), (432), (435)
 Constantinescu, S. 88, 251, (427),
 (432)
 Cooke, B. 137, 138, (428)
 Cooper, T.L. 300–1, (435)
 Coutu, D. 163, (429)
 Crilly, D. 285, (434)
 Cummings, T.G. 92, 120, 167, 180,
 184, 185, 212, 217, (427),
 (428), (429), (430), (431)
 Cunliffe, A.L. 404, (439)
 Cunningham, I. 403, (439)
 Czajka, J.M. 323, (437)

D

- Daft, R.L. 409, (440)
 Dale, B. 382, (439)
 Dalziell, E.P. 207, (430)
 Darling, M.J. 411, (440)
 Daub, M. 43, (424)
 D'Auria, G. 149, (428)
 David, A. 383–4, (438)
 David, P. 9, (423)
 Davidsson, P. 62, (426)
 Dawson, A. 56, (425)
 Dawson, P. 19, (424)
 De Geus, A. 401, (439)
 De Jong, M. 44, (424)
 De Massis, A. 47, 77–8, (424), (426)
 De Smet, A. 149, (428)
 Denis, J.-L. 255–8, (432)
 DeNisi, A.S. 363–4, (438)
 Department of Health 280, 281, (434)
 Devanna, M.A. 241, (433)
 Dewey, J. 403, (439)
 Dhanaraj, C. 343, 344, (437)
 Dibella, A.J. 153, 156, (429)
 Dixon, N. 413, 416–17, (440)
 Doh, J.P. 293, (435)
 Doherty, N. 275, 324, (434), (437)
 Donaldson, T. 294, (435)
 Downes, L. 57, (425)
 Drucker, P.F. 39, (424)
 Duchek, S. 310, (436)
 Duncan, R. 327–9, (437)
 Dunford, R.P. 54, (425)
 Dunphy, D. 42, 145, (424), (428)

E

- Ebbesen, E. 69, (426)
 Edgecliffe-Johnson, A. 282, 283, (434)
 Edwards, J.C. 12, (423)
 Egan, G. 21, 173–4, 231, 232, 235, 237,
 238, 412, (424), (430), (431), (440)
 Einarsen, S. 258, (432)
 Eisenberger, R. 366, (438)
 Eisenhardt, K.M. 34–5, 42, 48, 308,
 414, (424), (436), (440)
 Ellis, A. 232, (431)
 Emerson, M. 262, (434)
 Engert, O. 209, 362, (430), (438)
 Epley, N. 299–300, (435)
 Epstein, L.D. 212, (431)
 Eriksson, M. 143, (428)
 Ettorre, B. 211–12, (431)
 European Commission 286, (434)

F

- Ferlie, E. 198, 266, 412, (431), (434), (440)
 Ferris, G.R. 257, (432)
 Fiedler, F. 254, (432)
Financial Times 15, 45, (424)
 Fine, D. 385, (439)
 Fink, S.L. 346, (437)
 Fiol, C.M. 410, (440)
 Fischer, M. 412–13, (440)
 Fitzgerald, L. 381, 382, 384,
 391–2, (438), (439)
 Flamholtz, E. 6, (423)
 Fleishman, E.A. 254, (432)
 Fombrun, C.J. 282, (434)
 Ford, J.D. 142, 325, (428), (437)
 Ford, L.W. 142, 325, (428), (437)
 Ford, M.W. 19, 20–1, (424)
 Fordyce, J.K. 121, (428)
 Foster, R.N. 43, (424)
 Francis, R. 309, (436)
 Franklin, J.L. 180, (429)
 Freeman, R.E. 265, (434)
 French, J.R. 325, 330–1, (437)
 French, W.L. 137, 138, 180, (428), (430)
 Friedlander, F. 175, 185, (430)
 Friedman, M. 282, 287–8, (435)
 Fritz, R. 182, (430)
 Frynas, J.G. 35, (424)
 Fuerst, S. 10–11, (423)

G

- Galvin, B.M. 281, (435)
 Gapper, J. 11, (423)
 Gardberg, N.A. 282, (434)
 Gaspar, J.P. 289, (435)
 Gee, T. 251, (432)
 Gersick, C.J. 36–40, 49, 410, (424), (440)
 Ghobadian, A. 281, (435)
 Gibb, A. 114, (427)
 Gibson, J.W. 211, (431)
 Gilbertson, D. 289, (435)
 Gilley, A. 244, 255, (432)
 Gioia, D.A. 247, (432)
 Glavas, A. 285, 288, 296, (434), (435)
 Goffman, E. 14, (423)
 Gold, J. 405, (439)
 Gollwitzer, P.M. 173, (430)
 Gomez, C. 294, (435)
 Gómez-Mejía, L.R. 66, (426)
 Gould, S.J. 36, (425)
 Gouldner, A. 288, (435)
 Green, M. 253, (432)
 Greenberg, J. 315–16, 366, (436), (438)
 Greenhalgh, T. 393, (439)
 Greenwood, R. 7, 37–9, 85,
 (423), (425), (427)
 Greer, B.M. 19, 20–1, (424)
 Greiner, L.E. 58–60, 226, 414–15,
 (425), (431), (440)
 Grundy, T. 269–70, (434)
 Guerrero, F. 141, (428)
 Gulati, R. 96, (427)

H

- Hackman, J.R. 98, 99, 252,
 254, (427), (432)
 Haier 331–2, (437)
 Hailey, V.H. 144, 145, (428)
 Hall, D.P. 257, (433)
 Hammer, M. 196, 198, (430)

- Handcock, A. 44, (425)
 Harding, R. 189, (430)
 Harford, T. 162, (429)
 Hargie, O. 308, (436)
 Harris, R.T. 21, 153, 157, 386, (423), (429), (438)
 Harrison, R. 213, 214, (431)
 Harter, J.K. 374, (438)
 Hayes, J. 239, 263, 346, 348–9, 376–7, (431), (434), (437), (438)
 Healey, M.P. 39, 410, (425), (440)
 Healthcare Commission 280, (435)
 Helpap, S. 346, (437)
 Hendry, C. 19, (424)
 Hersey, P. 254, (433)
 Heskett, J. 253, (433)
 Heskett, J.L. 373, (438)
 Hesselbein, F. 253, (433)
 Hickman, C.R. 62, (426)
 Higgs, M. 244, 252, (433)
 Higuchi, Y. 382, (439)
 Hille, K. 15, (423)
 Hinings, C.R. 7, 37–9, 85, (423), (425), (427)
 Hirt, M. 149, (428)
 Hodgkinson, G.P. 39, 410, (425), (440)
 Hogan, R. 259, (433)
 Hollenbeck, G.P. 257, (433)
 Holmes, T.H. 344, (437)
 Holweg, M. 383, 386, 391, (439)
 Hook, L. 77, 301, (426), (435)
 Hopson, B. 238, (431)
 Hornstein, H.A. 102, 105, (428)
 Horsted, J. 275, 324, (434), (437)
 House of Commons 287, (435)
 Hubbard, N. 208–9, 360, 362–4, (430), (438)
 Huber, G. 410, (440)
 Hughes, H.P. 170, (430)
 Hughes, M. 242, (433)
 Hull, R. 294, (435)
 Huselid, M.A. 192, (430)
 Husted, K. 414, (440)
 Huy, Q.N. 248–9, (433)
 Hyde, P. 376–7, (438)
 Hyde, P. 346, 348–9, (437)

I

- ILO 57–8, (425)
 Ireland, R. 62, (426)
 Isaacs, M. 301, (435)

J

- Jackson, P. 144, (428)
 Janis, I.L. 12, 249, 418, (423), (433), (440)
 Jawahar, M. 266–8, (434)
 Jayaram, K. 182, (430)
 Jemison, D.B. 366, (438)
 Johnson, G. 50, (425)
 Jones, D.T. 199–201, (431)
 Jones, R.A. 87, (427)
 Jones, T.M. 293, (435)

K

- Kahneman, D. 267, (434)
 Kaiser Permanente 163, (429)
 Kaiser, R.B. 259, (433)
 Kano, L. 190, 328–9, (431), (437)
 Kantor, R.M. 19, (424)
 Kanungo, R.N. 285, 286, 289, 293, (435)
 Kaplan, R. 196, (430)
 Kaplan, R.S. 68, 369, 373, 374, (426), (438)
 Kaplan, S. 43, (424)
 Karlan, D. 382, (439)
 Kim, W.C. 58, 74–80, (425), (426)
 Kirkpatrick, D.L. 191, (430)
 Klein, K.J. 391, (439)
 Klein, K.L. 390, 392–4, (439)
 Klofsten, M. 114, (427)
 Knoke, D. 143, (429)
 Kocakülâh, M.C. 202, (430)
 Kohlriese, G. 343, 344, (437)
 Kok, R. 97, (427)
 Kolb, D.A. 402–3, (439)
 Koller, T. 10, (423)
 Kotter, J.P. 19, 23, 28, 107–10, 143–5, 241–2, 244–7, 250–3, 255, 306, 326–7, 331, 332, 384–6, (424), (427), (429), (433), (436), (437), (439)
 Koys, D.J. 374, (438)
 Kraiger, K. 191, (430)
 Kühn, S. 251, (433)

L

- Lamont, S.S. 390, (439)
 Lank, A.G. 401, (439)
 Lank, E.A. 401, (439)
 Latham, G.P. 333, (437)
 Lawler, E.E. 333, (437)
 Leavitt, H.J. 307, (436)
 Lengnick-Hall, C.A. 64, 115, 142, 143, (426), (427), (429)
 Leroy, F. 410, (440)
 Levinthal, D. 417, (440)
 Lewin, K. 18–19, 28, 48, 78, 124, 137, 138, 174, 234, 254, 381, 384–5, 403, (424), (425), (426), (428), (429), (431), (433), (439), (440)
 Lex 15, (423)
 Li, L. 38, (425)
 Liker, J.K. 200–1, (430)
 Lines, R. 91, 311, 326, 416, (427), (436), (437), (440)
 Linnenluecke, M.K. 115, (427)
 Lippitt, R. 21, 182, (424), (430)
 Litwin, G.H. 112–14, 118, 119, 124–5, 212, (427), (428), (431)
 Locock, L. 392, (439)
 Luckmann, T. 404, (439)
 Luers, A.L. 207, (430)
 Luo, J. 69, (426)
 Lyles, M.A. 410, (440)

M

- MacDonald, S. 310, 314, (436)
 McClelland, D.C. 262, (434)
 McConnell, M. 189, (431)
 McDonald, R.A. 293, (435)
 McDonald, S. 309, (436)
 McFillen, J.M. 99, (427)
 McGee, P. 63, (426)
 McKinsey 10, (423)
 McLaughlin, G.L. 266–8, (434)
 McLaughlin, K. 285, (435)
 McManus, S. 143, 204–7, (429), (431)
 McManus, S.T. 207, (430)
 McMillon, D. 285, (435)
 McNulty, T. 198, 262, 266, 412, (431), (434), (440)
 Maesschalck, J. 297–8, 301, (435)
 Mahoney, J. 7, 8, (423)
 Malby, B. 412–13, (440)

Maletz, M.C. 270, (434)
 Mangham, I.L. 14, 312, (423), (436)
 Margerison, C.J. 91, 226, 233, (427), (431)
 Marks, M. 344, 349, (437)
 Marks, M.L. 366, (438)
 Marrone, J.A. 317, (436)
 Martin, R.L. 101, (427)
 Masuda, M. 344, (437)
 Mauborgne, R. 58, 74–80, (425), (426)
 May, D. 258, 259, (433)
 May, R. 86, (427)

Mayer, C. 283, (435)
 Mendonca, M. 289, 293, (435)
 Metzger, R.O. 226, (431)
 Michaiova, S. 414, (440)
 Miles, M.B. 213, (431)
 Miles, R.E. 5, (423)
 Miles, R.H. 401, (440)
 Milgram, S. 291–3, (435)
 Milliken, F.J. 30, 142, 308–10, 405,
 (424), (429), (436), (440)
 Mitchell, A. 142, (429)
 Mitchell, R.K. 285, (435)

Mooney, A. 283, (435)
 Moore, C. 411, (440)
 Morgan, J.M. 200–1, (430)
 Morris, S.A. 293, (435)
 Morrison, E.W. 30, 142, 308–10, 405,
 (424), (429), (436), (440)
 Moskal, B.M. 308, (436)
 Mouton, J.S. 213, 231, 235,
 254, (431), (432)
 Moutousi, O. 258, 259, (433)
 Mueller, R.A. 307, (436)
 Murdock, L. 196, (430)

N

Nadler, D.A. 26, 43, 45–6, 49, 63, 64, 105,
 125–6, 154, 157, 160, 161, 262, 329,
 331, 386, (424), (425), (426), (427),
 (428), (429), (434), (437), (439)
 Nanus, B. 241, (432)
 Näslund, L. 244, (433)

Nelson, G. 289, (435)
 Neves, P. 250, (433)
 Newman, V. 155, (429)
 NHS Improvement 202, (431)
 NHS Modernisation Agency
 382, 385, (439)

Nicolaou, A. 41, (425)
 9/11 Commission 244, (432)
 Northouse, P.G. 241, (433)
 Norton, D.P. 68, 369, 373, 374, (426), (438)
 Nunes, P.F. 57, (425)

O

Oakland, J. 164–5, (429)
 Oestreich, D.K. 308, (436)
 Oettingen, G. 172–3, (430)
 Ohno, T. 201, (431)

Oldham, G.R. 98, (427)
 Oreg, S. 244, 246, 249, 250,
 252, 327, (433), (437)
 O'Reilly, C.A. 311, (436)
 Orlikowski, W.J. 34, 35, 308, (425), (436)

O'Toole, C. 44, 56, 57, (424), (425)
 O'Toole, J. 344, (437)
 Otto, K. 259, (433)
 Oxtoby, B. 255, (433)

P

Padilla, A. 258, (433)
 Paine, L.S. 293–5, 298, (435)
 Parkes, C.M. 343, (437)
 Parry, C.S. 411, (440)
 Pascale, R. 110, (427)
 Pascale, R.T. 236, 255, (432), (433)
 Pasmore, W. 169, (430)
 Patterson, M. 374, (438)
 Pearson, C.M. 115, (427)

Pemer, F. 244, (433)
 Pettigrew, A. 85, (427)
 Pettigrew, A.M. 41, (425)
 Pfeffer, J. 192–4, (431)
 Piercy, N. 269, (434)
 Pierson, P. 8, 9, (423)
 Pitt, M.R. 64–5, 71–2, 88, 311,
 (426), (427), (436)
 Pollak, R. 189, (431)

Pondy, L.R. 311, (436)
 Poole, M.S. 5, 7, (423)
 Pope, R. 309, (436)
 Porter, I. 333, (437)
 Porter, L.W. 126, 219, (428), (431)
 Postma, T. 97, (427)
 Premack, S.L. 363, (438)
 Pugh, D. 87, 213, 327, (427), (431), (437)

Q

Quigley, N.R. 293, (435)

Quinn, J.B. 157, (429)

Quinn, R.E. 34, 35, 38–40, 42, 48, (425)

R

Rahe, R.H. 344, (437)
 Ramanantsoa, B. 410, (440)
 Raynor, M.R. 85, (427)
 Reddy, M. 237, (432)
 Reicher, S. 292, (435)
 Reid, M. 190, (431)

Revans, R. 413, (440)
 Reynolds, M. 408, (440)
 Rhoades, L. 366, (438)
 Richard, D. 371–2, (438)
 Rogers, C.R. 233, (432)
 Rogers, E. 390–1, 393, (439)

Romanelli, E. 37, 39, 41–2, 59, (425)
 Rotter, J.B. 86, (427)
 Rowland, D. 244, 252, (433)
 Ruona, W.E. 325–6, (437)
 Rus, D. 269, (434)
 Ryan, K.D. 308, (436)

S

Sabatier, V. 63, (426)
 Safferstone, T. 92, (427)
 Sahdev, K. 275–6, 324, (434), (437)

Samuelson, W. 39, (425)
 Schaninger, B. 189, (431)

Schein, E.H. 19, 24, 253, 390, 393, 409,
 418–19, (424), (433), (439), (440)
 Scherrer-Rathje, M. 199, (431)

- Schlesinger, L.A. 143, 144, 145,
326–7, 331, 332, (429), (437)
Schmidtke, K.A. 252, (433)
Schmitt, A. 63, (426)
Schmuck, R.A. 213, (431)
Schneider, B. 5, (423)
Schoenberg, R. 208, (430)
Schön, D.A. 402–4, 409, (439), (440)
Schreffler, R. 67, 143, 204, 206,
(426), (429), (431)
Schreyögg, G. 13, 14, 402, (423), (440)
Schweiger, D.M. 363–4, (438)
Scott, M. 114, (427)
Seijts, G.H. 333, (437)
Seligman, M.E.P. 86–7, 232, (427), (432)
Shabana, K.M. 283, (434)
Shaw, B.R. 270, (434)
Shaw, R.B. 63, 64, (426)
Shrivastava, P. 209, (431)
Siegel, D. 282, (435)
Siggelkow, N. 107, (428)
Silva, M.A. 62, (426)
Silverman, R.E. 212, (431)
Sims, R.R. 293, (435)
Sitkin, S.B. 366, (438)
Smith, M. 190, (431)
Snow, C.C. 5, (423)
Somerville, K.A. 253, (433)
Song, L. 57, (425)
Sorra, J.S. 390, 392–4, (439)
Spence, R. 344, (437)
Spencer, J. 294, (435)
Spillane, J. 255, (433)
Stace, D. 145, (428)
Stahl, G.K. 289, 291, 292, 294, 296, (435)
Staw, B. 212, (431)
Staw, B.M. 10, 11, (423)
Steele, F.I. 232, (432)
Sterin, J. 236, 255, (432), (433)
Stevenson, J.R. 143, 317, (429), (436)
Sully de Luque, M.F. 289, 291, 292,
294, 296, (435), (436)
Sun, K. 6, (423)
Sun, P.Y. 254, (432)
Sundgren, M. 143, (428)
Sunstein, C.R. 39, 86, 329,
(425), (427), (437)
Sweeny, K. 172, (430)
Swieringa, A. 403, 404, 409, 418, (440)
Sydow, J. 13, 14, 37, 63, 402, 404,
(423), (425), (426), (440)
Szulanski, G. 390, 391, (439)

T

- Taylor, F.W. 168, (430)
Tepper, B.J. 259, (433)
Tesone, D.V. 211, (431)
Thaler, R.H. 39, 86, 329, (425), (427), (437)
Thompson, D. 71, 72, (426)
Thoroughgood, C.N. 258, (433)
Tichy, N.M. 102, 105, 241, (428), (433)
Ting-fang, C. 38, (425)
Tjosvold, D. 308, (436)
Torkkeli, L. 10–11, (423)
Tornatzky, L.G. 391, (439)
Tourish, D. 308, (436)
Tremblay, M. 300, (436)
Treviño, L.K. 259, (432)
Trist, E.L. 169, (430)
Tushman, M.L. 37, 39, 41–3, 49, 59,
105, 157, 160, (425), (427), (429)
Tversky, A. 267, (434)
Tyler, R.T. 297, (436)

V

- Van Buren, M.E. 92, (427)
Van Dam, K. 324–5, (437)
Van de Ven, A.H. 5–7, (423)
Van der Vegt, G.S. 57, 115, 143,
(425), (428), (429)
van Dijk, M. 44, (424)
van Peteghem, D. 55–6, (425)
Verbeke, A. 190, 328–9, (431), (437)
Vince, R. 408, (440)
Von Bertalanffy, L. 168, (430)
Vroom, V.H. 333, (437)
Vuori, T.O. 248–9, (433)

W

- Waldman, D.A. 281, 282, (435)
Walsh, J.P. 417–18, (440)
Walsh, S. 28, 90, 154–5, (424), (427), (429)
Walton, R.E. 390, 393, (439)
Wanous, J.P. 363, (438)
Waterman, R.H. 111, (428)
Watkins, M.D. 162, (429)
Weick, C.E. 418, (440)
Weick, K.E. 34, 35, 38–40, 42, 48, 143,
245, 409, (425), (429), (433), (440)
Weil, R. 121, (428)
Weisbord, M.R. 111–12, 413, (428)
Werkman, R. 249, (433)
Werther, W.B. 88, (427)
Whelan-Berry, K.S. 253, (433)
Whipp, R. 85, (427)
Wierdsma, J. 403, 404, 409, 418, (440)
Wiesinger, A. 43, (424)
Wilson, D. 84, 85, (427)
Winter, S. 391, (439)
Wisse, B. 269, (434)
Womack, J.P. 198–201, (431)
Wong, J.C. 301, (436)
Worley, C.G. 92, 120, 167, 180,
184, 185, 212, 217, (427),
(428), (429), (430), (431)

Y

- Yang, S. 143, (429)
Yates, M. 244, 246, (433)

Z

- Zajonc, R.B. 415, (440)
Zaltman, G. 327–9, (437)
Zeckhauser, R.J. 39, (425)
Zhang, R. 35–6, (425)
Ziegler, C. 251, (433)

SUBJECT INDEX

A

- Aboca 77–8
- absenteeism 133
- absorptive capacity 417
- acceptance of reality phase 347, 351
- access over ownership business model 56
- Accor 77
- accountability gap 315
- acquisitions *see* mergers and acquisitions
- action learning 413
- action research 19, 137, 176–8, 185, 236, 385
- Active Sports Equipment Company 72–3, 109
- adaptation 46, 47, 49
- adaptive capacity 207
- advising mode of intervening 231–2
- after action reviews 236, 411
- agency
 - paradox of embedded 69
 - sense of 171–2, 232, 246
 - see also* change agency
- agenda for change 23, 32, 63, 64, 71–3
- agreements, negotiated 264, 332
- airBaltic 147–8
- Airbnb 56
- airlines 8, 147–8
- Albarran, Tammy 301
- Aldi 54
- Alibaba 56
- alignment 5, 39–40, 46, 48
 - check tool 70–1
 - communications and 364–5
 - functional misalignment 67–8
 - of indicators of effectiveness 66
 - internal misalignments as
 - triggers for change 58–60
 - leadership and 223, 244, 251–2
 - of people management practices 192–5
 - of values 144
- all hazards vulnerability matrix 163, 206
- Alphabet 414–15
- altruism 286–8
- analog devices 372
- analysis
 - content analysis 123
 - of diagnostic information 123–4, 126–9
 - force-field analysis 18–19, 124, 128–9
 - person analysis 190
 - PEST analysis 52–3, 63, 127
 - qualitative techniques 123–4
 - quantitative techniques 124
 - SWOT analysis 126–8
 - task analysis 190
 - training needs analysis 190
- anticipating change 44–5
- apathetic egotism 286–7
- Apple 41, 56, 88
- appreciative inquiry 185–8, 236, 298–9
- appreciative interviewing 187–8, 299
- approachability 91
- Aquinas, Thomas 289
- Asda 392
- assembly lines 168, 310
- assumptive worlds 342–4
- Astra AB 143
- AT&T 88
- attitudes, effect on behaviour 218–19
- attitude surveys 180
- auditing communication strategies 319–20
- automotive industry 6–7, 46, 63, 67, 158–9, 200–1, 206, 281, 284, 294–6
- autonomy, crisis of 59, 60
- Awakishi diagrams 155
- Axelrod meeting canoe 178–9

B

- Bairrada Wines 152–3, 161
- balanced scorecard 68–9, 203, 373, 374
- banking 12, 45, 67, 79–80, 128, 163, 246, 295
- Barclaycard 275–6
- Barings Bank 295
- baselining 198
- Bauer Group 44
- BBC
 - change strategies 139–40
 - staff survey 118, 119, 124–5, 180
- Beckhard's process for improving intergroup relations 185
- behaviour
 - discretionary 144, 192
 - effect on attitudes 218–19
 - responsible *see* ethical practice
 - rewarding 161
 - training effectiveness and 191
 - see also* people issues
- benchmarking 66, 126, 198
- Ben & Jerry's 288
- Benn, Joe 60
- best practice puzzle 390
- BHS 286, 287
- bias
 - bifurcation 328–9
 - cognitive 12, 14, 63, 76
 - interviews 121
 - questionnaires 121
 - self-report 121
- bifurcation bias 328–9
- big-bang disruptions
 - assumptive worlds and 344
 - bounded 57
 - change strategies and 138, 142–3, 145, 148–9
 - communications and 316–17
 - diagnosis and 100, 114–15, 120
 - information requirements and 120
 - personal transitions and 344
 - pervasive 57–8, 100, 142, 148–9, 204, 344
 - resilience and 64, 66–7, 115, 142–3, 204
 - sense making and 245
 - as sources of change 57–8
 - supporting others 253
 - see also* predictable surprises
- big data 43, 55
- Birt, John 139
- black money 44–5
- blame cultures 414
- Blockbuster 40–1
- blue ocean thinking 32, 58, 74–80
- blueprint changes 25, 144, 156, 157, 368
- blueprint planning 151, 361, 367
- Bomholt, Rene 147, 149
- bone density scans 413
- boundary-spanning activities 317
- boundary-spanning roles 310, 317
- bounded big-bang disruptions 57

BQR 417
 Brenntag 207
 Brin, Sergey 59, 414
 British Airways 8, 147
 Buffalo News 335

Burke-Litwin causal model of
 organizational performance
 and change 107, 112–14, 118,
 119, 124–5, 212, 218, 234
 burning platform analogy 88, 250–1, 349
 business continuity planning 162–4

business continuity teams 149
 business platform model 107, 114
 business process re-engineering
see process re-engineering
 business startups 44, 60
 business thinking 412

C

Canterbury earthquake, New
 Zealand 143, 317
 career planning and development
 interventions 188
 car industry 6–7, 46, 63, 67, 77, 158–9,
 200–1, 206, 281, 284, 294–6
 causal links 218
 causal relationships 101
 cause-and-effect hypotheses 100,
 105–6, 118, 234, 357–8, 369–72
 Central Intelligence Agency 244
 ceremonies 331–2
 challenging mode of intervening
 235–6, 238
 chance factors 85
 change
 anticipating 44–5
 blueprint 25, 144, 156, 157, 368
 discontinuous 36, 39,
 41–3, 59, 60, 145
 emergent 34, 144, 369
 incremental 35, 36, 37, 43,
 45–9, 60, 138, 145, 212
 intensity of 49
 perceptions of 156, 376–7
 proactive 45–9
 reactive 45–9
 transactional 112–14
 transformational 43, 45–9,
 112–14, 141, 146–7, 212
 typology of 45–9
see also patterns of change;
 sources of change
 change agency 84–9
 deterministic view 84–5
 voluntarist view 85–9
 change agenda 23, 32, 63, 64, 71–3
 change agents 4, 14, 23, 28, 145, 226
 clarification of issues 90–3
 client identification 90–3
 helping skills 238–9
 inferred motives 91–2
 selection of 89–90
 starting change process 89–94
see also change relationships;
 intervention styles
 change management indicator 376–7
 change management skills 89
 change plans 131, 151–66

Awakishi diagrams 155
 case study 152–3, 161
 characteristics of effective 157–8
 clarity of end state and 157–8
 critical path analysis 159–60
 detailed 153–62, 208–9, 358, 361
 feedback mechanisms 161
 figure of eight framework 164–5
 high-level 152–3, 208–9, 358, 360–1
 implementation plans
 156–9, 358, 360–1
 leverage points 158–9
 monitoring implementation
 of 369–72
 perceptions of change and 156
 resource allocation 160
 reward systems 161
 scheduling 159–60
 transition manager
 appointment 154–5
 change process models *see* process
 models of change
 change readiness *see* readiness for change
 change relationships 22, 23,
 90–3, 223, 226–40
 advising approach 231–2
 challenging approach 235–6, 238
 clarification of issues 90–3
 client identification 90–3
 collaborative 232–8, 264
 establishing 90–1
 helping skills 238–9
 information-gathering
 approach 236–8
 prescriptive approach 231–2, 238
 quality of 91–2
 supportive approach 233–4, 238
 theorizing approach 234–5, 238
 change sequences 48
 reactive 1, 8, 13–14
 self-reinforcing 1, 9–15, 37
 change strategies 25, 131, 134–50
 big-bang disruptions and
 138, 142–3, 145, 148–9
 case studies 135–7, 147–8
 coercive strategies 144, 146, 147
 combined strategies 140–3
 contingency model 131, 145–9

economic strategies 138, 140–3
 historical overview of 137–8
 incremental strategies 138, 144, 146
 organization development
 strategies 138–43
 for resilience development 142–3
 situational variables and 143–5
 top teams and 141–2
 transformational strategies
 138, 146–7, 149
 change tools
 after action reviews 236, 411
 alignment check tool 70–1
 all hazards vulnerability
 matrix 163, 206
 appreciative interview
 schedules 187–8, 299
 Awakishi diagrams 155
 Axelrod meeting canoe 178–9
 Beckhard's process for improving
 intergroup relations 185
 change management indicator 376–7
 conference method 182–3, 413
 critical path analysis 159–60
 diagnosing external alignment 192–4
 diagnosing internal alignment 194
 five whys 202
 5S methodology 202
 force-field analysis 128–9
 opening second channel to
 observe oneself 405
 organization mirror
 179, 185, 236, 412
 plan, do, study, act (PDSA)
 cycle 198, 347
 preferred future approach 183, 413
 priority reviews 236, 412–13
 7S matrix 111
 seven wastes 201
 stakeholder grid 234, 271–5
 survey feedback intervention
 180–1, 185
 SWOT analysis 126–8
 System Scenarios Tool (SST) 170
 valued outcomes assessment 336–7
 WOOP methodology 173
 change trajectories
 constructed 7
 predetermined 7

- charismatic evolution 146
 charismatic leadership 242, 249, 254
 charismatic transformation 146, 149
 chemical distribution industry 207
 clarification of issues 90–3
 client identification 90–3
 climate for implementation 392–6
 coaching 170–2
 coal mining industry 47, 168
 codes of conduct/ethics 297, 298, 300
 coercion 258, 332
 coercive change strategies
 144, 146, 147, 332
 cognitive biases 12, 14, 63, 76
 cognitive deficits 87
 cognitive frameworks 39
 coherence of collective leadership 256
 collaboration, growth through 59, 60
 collaborative evolution 146
 collaborative modes of
 intervening 232–8, 264
 collaborative transformation 146
 collective leadership 255–8
 collective learning 399, 408–19
 commitment
 organizational 323–6
 to past decisions 10–11, 14, 64
 communications 26, 224, 303–21
 acquisitions and 362–5
 auditing 319–20
 big-bang disruptions and 316–17
 case studies 224, 304–5, 317–20
 channels 316
 content 307, 313–16
 directionality 306–10
 feedback and accuracy of 307
 during implementation 362–5
 lack of upward 308–10, 317
 lateral 308, 317
 to minimize ambiguity 362–4
 organizational silence 308–10, 317
 perceptions of fairness and 315–16
 relational connections 316–17
 roles in 310–13
 sense giving 223, 244, 247–51
 strategies 305–6, 318–19, 362, 364
 transparency 314–15
 trust and 311–13
 complementary products 76
 completely free business model 56
 compliance-based systems 297–8, 300–1
 component models of organizational
 functioning 105–7, 111, 118
 conceptual models 89, 101
see also diagnostic models
 Concrete Flags Ltd 27–8, 152, 405–7
 conference method 182–3, 413
 confidence 86–7, 91
 Connect2 304–5, 317–19
 consequence scenarios 205
 conservation of resources theory 259
 consolidation phase 347–8, 352
 constraining factors 67
 content analysis 123
 contingency model 131, 145–9
 continuous change *see* gradualist paradigm
 continuous improvement 200–2
 control
 crisis of 59, 60
 locus of 86
 co-option 332
 coordination 9, 28, 145
 communications and 364–5
 growth through 59, 60
 resilience and 317
 copying, exact 391
 corporate scandals 46, 259,
 281, 284, 293–6, 301
 corporate social responsibility
 (CSR) 282–3, 285, 288, 296
 correlation coefficients 124
 counselling 170–2, 185
 COVID-19 pandemic 41, 43–4, 57–8, 63,
 100, 108, 114–15, 120, 142, 143, 145,
 148, 162, 204, 242–3, 253, 295, 344
 creative innovation 53
 creative opportunism 257
 creativity, growth through 59, 60
 Crespo, Miriam 274–5
 crisis business continuity teams 149
 critical junctures 8, 13
 critical path analysis 159–60
 cruise industry 44
 cultural arrogance 366
 cultural relativism 294
 culture of vigilance 62–3
 culture profiling 185, 203
 customer-related measures 68, 373
 cycle-breaking endeavours 231

D

- data analysis 123–4, 126–9
 qualitative techniques 123–4
 quantitative techniques 124
 data collection 100, 120–3
 clarification of requirements 118–20
 interviews 120–1
 observations 122
 political considerations 125–6
 projective methods 121–2
 questionnaires 121
 sampling 122–3
 unobtrusive measures 122
 data interpretation 100, 124–5
 death spiral 64
 deep structures 31, 36–40
 delegation, growth through 59, 60
 denial phase 347, 350–1
 dependency 263–4
 depression phase 347, 351
 destructive leadership 253, 258–9, 269, 294
 determinism 84–5
 diagnosis 22, 24–5, 29, 96, 97–100, 117–30
 action plan development 126–9
 of alignment of people
 management practices 192–5
 analysis 123–4, 126–9
 big-bang disruptions and
 100, 114–15, 120
 case studies 95–9, 101, 105–6, 120
 clarification of information
 requirements 118–20
 hypotheses testing 99, 100
 information gathering 100, 120–3
 interpretation 100, 124–5
 model selection 117–18
 political considerations 125–6
 process overview 99–100
see also diagnostic models
 diagnostic models 89, 96, 101–16
 Burke-Litwin causal model of
 organizational performance
 and change 107, 112–14, 118,
 119, 124–5, 212, 218, 234
 characteristics of good 115
 component models 105–7, 111, 118
 holistic models 105–15
 implicit models 101, 102–5, 116
 Klofsten's business platform
 model 107, 114
 Kotter's integrative model of
 organizational dynamics 107–10, 114
 McKinsey 7S model 107,
 110–11, 118, 124
 selection of 117–18
 Weisbord's six-box
 model 107, 111–12
 dialectical models of change 1, 5, 7, 8
 dictatorial evolution 146
 dictatorial transformation 147, 149
 difference tests 124

digital technologies
 disruptive impact of 41, 55–7
 microcomputer producers 41–2
 Direct Banking 12, 246
 direction, growth through 59, 60
 discontinuous change 36, 39,
 41–3, 59, 60, 145
 discretionary behaviours 144, 192

disruptions, big-bang *see* big-bang disruptions
 disruptive innovation 53–8
 distributed leadership 223, 255–8
 distributive justice 315
 dominance 258
 dominant stories 244
 double-loop learning 42, 369,
 370, 404, 409–10

Douglas refinery 339–40
 downsizing interventions 275–6
 Dropbox 56
 due diligence 358–60
 Dunlop, Ruth 187–8, 298–9
 Dyke, Greg 139, 140
 Dyson, James 11

E

earthquakes 67, 142, 143, 204, 206, 317
 eBay 56
 Eco-Pure 358–62, 364, 365, 367
 economic change strategies 138, 140–3
 economic sources of change 52
 ecosystem business model 56
 education, about need for
 change 329, 337, 339
 education sector 135–7, 236
 effectiveness
 of communication strategies 319
 indicators of 65–8
 of interventions 216–17
 of training 191
 efficiency innovation 53
 effort–performance expectancies
 333–4, 337–8
 ego resilience 257
 egotism 286–7
 Einarsdóttir, Birna 246
 elderly care sector 133
 Elop, Stephen 88, 250–1, 349
 emergencies *see* big-bang disruptions
 emergency planning 142, 162–4
 emergency response 249–50
 emergent changes 34, 144, 369
 emissions scandal 46, 281, 284, 293–6
 emotional appeal 77

emotional intelligence 257
 empathetic listening 233, 238
 empathy 289, 313
 employee wellness interventions 189
 empowerment 232, 251, 252
 enabling 223, 244, 252
 enabling factors 67
 end state, clarity of 157–8
 entrepreneurial venture creation
 model 21–2, 371
 entropy 106
 environmental coupling 257
 Environmental Defense Fund 285
 Environmental Protection
 Agency, USA 281
 equifinality 85, 106
 equilibrium periods 31, 38–9, 60
 equity of treatment, perceptions of 275–6,
 297, 315–16, 324, 334, 338–9, 365–6
 equity theory 316, 366
 escalation of commitment 10–11, 64
 espoused theories 402, 412
 ethical dilemmas 298, 300
 ethical imperialism 294
 ethical practice 224, 278–302
 altruism and egotism 285–8
 case studies 224, 280–1, 283–4, 295

combined integrity management
 framework 300–1
 compliance-based approaches
 297–8, 300–1
 consequences of irresponsible
 behaviour 295–6
 contextual factors 291–5
 corporate social responsibility
 (CSR) 282–3, 285, 288, 296
 individual differences 289
 intentions, actions and
 circumstances 289
 organizational culture and 301
 performance and 296
 promoting 296–301
 social consensus and 293–4
 stakeholders and 282–5
 values-based approaches
 297, 298–301
 European Commission 286
 European Working Time Directive 314
 evolution, Darwin's theory of 36
 evolutionary growth 59–60
 evolutionary models of change 1, 5, 7
 exact copying 391
 expectancy theory 333–9
 experiential learning 367, 399, 401–7
 extended stakeholder perspective 282–5
 Eyjafjallajökull volcano, Iceland 57

F

Facebook 56
 facilitation 331–2
see also change agents;
 intervention styles
 factory-level improvement model 383–4
 fair treatment, perceptions of 275–6, 297,
 315–16, 324, 334, 338–9, 365–6
 family businesses 47
 deep structures 37
 readiness for change in 328–9
 socioemotional wealth 66
 talent management 189–90
 feedback 19, 20–1, 26–7, 106, 142
 accuracy of communications and 307

change management indicator 376–7
 operational 22, 371
 reflection and 402–3
 responding negatively to 308–9, 325
 sense giving 247, 248–9
 strategic 22, 371–2
 survey feedback intervention
 180–1, 185
 viewing resistance as 325
see also self-reinforcing sequences
 field theory *see* force-field analysis
 figure of eight framework 164–5
 financial measures 68, 373
 fine-tuning 45–7, 49

Fink, Larry 283
 firefighters 245
 First Direct 79–80
 Fischer, Bill 332
 fishbone diagrams 155
 5S methodology 202
 five whys tool 202
 Flinders Medical Centre 202–3
 flow 199–200
 force-field analysis 18–19,
 124, 128–9, 234–5
 forced evolution 146
 forced transformation 146–7
 Ford, Henry 168

four actions framework 58, 75–6, 79, 81
 Foxconn 14–15, 37, 38
 fragility of collective leadership 256–8

Freedman House 176–8
 freemium business model 56
 friendliness 91

Fryer, Richard 80–2, 171
 functional conditioning 69
 functional misalignment 67–8

G

gain frame 268
 Galaxy 320
 Garmin 57
 gatekeepers 311
 Gates, Bill 162
 Gauss, Martin 147–8
 General Electric 413

global financial crisis 57, 100, 128
 goal setting 20–1, 333
 Google 56, 59, 88, 414–15
 Google Maps 57
 Gorton, Steve 142
 gradualist paradigm 31, 34–6
 Great East Japan earthquake
 67, 142, 143, 204, 206

green energy 288
 Green, Philip 286, 287
 group-based interventions 174–9,
 185, 215, 218–19
 group dynamics 19
 group interviews 120–1
 groupthink 12, 69–70, 72, 293, 418
 GZF 270–2, 274–5

H

Haier 34–6, 331–2
 Hammersmith Hospital 187–8, 298–9
 Harley-Davidson 411
 hazard vulnerability analysis 163
 healthcare 10–11, 50, 66, 132–3, 187–8,
 196–7, 202–3, 236, 242–3, 256–8,
 266, 270–2, 274–5, 280–1, 283, 294,
 295, 298–9, 309, 314, 411, 413, 420–2
 Healthcare Commission 280
 hedonistic egotism 286, 287
 heijunka 201
 helping skills 238–9
 helplessness
 learned 86–7, 232
 personal 232
 universal 232
 high-level planning 152–3,
 208–9, 358, 360–1
 high performance management 192–5

holacracy 212
 Holder, Eric 301
 holistic models of organizational
 functioning 105–15
 Hopson, Barrie 372
 HP 34
 human process interventions 185–8, 215
 action research 19, 137,
 176–8, 185, 236
 appreciative inquiry
 185–8, 236, 298–9
 coaching 170–2, 185
 counselling 170–2, 185
 culture profiling 185
 intergroup 179, 185
 survey feedback 180–1, 185
 team building 178–9, 185, 215
 human process issues 213

human resource interventions
 141, 185, 188–95, 215
 career planning and development 188
 employee wellness 189
 high performance
 management 192–5
 performance management
 141, 189, 192–5
 stress management 189
 talent management 188, 189–91
 training and development
 171, 188, 190–1, 338
 workforce diversity 189
 human resource issues 213
 Hunt, Jeremy 280
 hypotheses
 cause-and-effect 100, 105–6,
 118, 234, 357–8, 369–72
 testing 99, 100

I

Iceland 246
 ‘identify and reply’ strategy 318, 319, 364
 ideologies, learning and 417–19
 implementation 22, 26–8, 29, 355, 357–67
 acquisitions 358–67
 case study 358–62, 364, 365, 367
 climate 392–6
 communications during 362–5
 managing people issues 362–7
 monitoring and reviewing
 26–8, 355, 368–77
 plans 156–9, 358, 360–1
 in process re-engineering 198
 role of leadership 241–53
 of value innovation 78–9, 81–2
see also change strategies
 implicit models of organizational
 functioning 101, 102–5, 116
 improvisation 35, 48
 increasing returns 9–10

increasing-sum game 264
 incremental change 35, 36, 37, 43,
 45–9, 60, 138, 145, 212
 incremental change strategies
 138, 144, 146
 India 44–5, 132–3, 233
 indirect scenarios 205
 inertia 37, 39, 41, 43, 48
 influence
 paradox of peripheral 69
 social 69–70
see also power and influence
 informational justice 315
 information gathering 100, 120–3
 clarification of requirements 118–20
 interviews 120–1
 observations 122
 political considerations 125–6
 projective methods 121–2
 questionnaires 121

sampling 122–3
 unobtrusive measures 122
 information-gathering mode
 of intervening 236–8
 innovation 53, 373
 creative 53
 disruptive 53–8
 efficiency 53
 spreadability of 389–97
 sustaining 53, 64
see also value innovation
 innovation/values fit 393–6
 instrumental approach 283
 integration, in mergers and
 acquisitions 208–9
 integrity management 296–301
 combined framework 300–1
 compliance-based approaches
 297–8, 300–1
 organizational culture and 301

- values-based approaches 297–301
- Intel 391
- intensity of change 49
- intergroup interventions 179, 185
- internal business process measures 68, 373
- internalization phase 348, 352
- interpersonal arrogance 366
- interpersonal justice 315–16
- interpretation of diagnostic information 100, 124–5
- interpretive frames 12, 76
- interventions 25, 131, 167–83, 184–210
 - action research 19, 137, 176–8, 185, 236
 - appreciative inquiry 185–8, 236, 298–9
 - career planning and development 188
 - case studies 132–3
 - coaching 170–2, 185
 - conference method 182–3, 413
 - counselling 170, 171–2, 185
 - culture profiling 185, 203
 - depth of 213–15
 - diagnosed issues and 212–15
 - efficacy of 216–17
 - employee wellness 189
 - expert-led 167, 168–70
 - facilitating progress through transitions 349–52
 - facilitator-led 170–83
 - fashions and fads 211–12
 - group-based 174–9, 185, 215, 218–19
- high performance management 192–5
- human process 185–8, 215
- human resource 141, 185, 188–95, 215
- with individuals 170–4, 185
- intergroup 179, 185
- job design 216–17
- lean 195, 198–203, 412
- level of change target 213–15
- mentoring 170–2
- mergers and acquisitions 207–9
- monitoring implementation of 369–72
- parallel organization approach 181–2
- performance management 141, 189, 192–5
- positive thinking 172–4
- preferred future approach 182, 183
- problem-solving approach 182
- process re-engineering 141, 184, 195–8
- resilience management 204–7
- scientific management 168
- selection of 132–3, 211–20
- sequencing 217–19
- sociotechnical approaches 140, 168–70
- strategic 185, 203–9, 216
- strategy mapping 203
- stress management 189
- survey feedback 180–1, 185
- system-wide 168–70
- T-group training 137, 216
- talent management 188–91
- team building 178–9, 185, 215
- technostructural 185, 195–203, 215, 219
- three-dimensional model 212–17
- time available for 215–16
- total quality management (TQM) 137, 141, 217
- training and development 171, 188, 190–1, 338
- transorganizational development 203
- wellness 189
- whole system 180–3, 185, 203, 413
- work redesign 212
- workforce diversity 189
- see also* value innovation
- intervention styles 227–38
 - advising 231–2
 - challenging 235–6, 238
 - collaborative 232–8
 - information-gathering 236–8
 - intervention style indicator 227–31
 - prescriptive 231–2, 238
 - supportive 233–4, 238
 - theorizing 234–5, 238
- interviews 120–1
 - appreciative 187–8, 299
- involvement 329–31, 337, 338, 339
- Ions, Colin 92
- Íslandsbanki 246
- isolated roles 310

J

- jidoka 201
- job design 216–17
- John Lewis Partnership 288
- judgement, suspending 237–8
- just-in-time (JIT) 200, 201
- justice 297, 315–16, 365–6
- see also* fair treatment

K

- kaizen 200,–2
- key performance objectives 197–8
- KeyChemicals 152, 358–61, 362, 364, 365, 367
- Klofsten's business platform model 107, 114
- Kotter's integrative model of organizational dynamics 107–10, 114

L

- laissez-faire capitalism 286
- lateral communication 308, 317
- lateral leadership 251
- laws of effect 101
- leadership 221, 223, 241–60
 - aligning 223, 244, 251–2
 - big-bang disruptions and 245, 253
 - charismatic 242, 249, 254
 - collective 255–8
 - crisis of 59, 60
 - destructive 253, 258–9, 269, 294
 - distributed 223, 255–8
 - enabling 223, 244, 252
 - lateral 251
 - maintaining momentum 223, 244, 253
 - management and 241–3
 - mission statements and 299, 300
 - power and influence 223–4, 262–5, 269
 - role in change success 223, 241–53
 - sense giving 223, 244, 247–51
 - sense making 64, 223, 244–5, 247–8
 - situational 254
 - styles 145, 254–5
 - supporting others 223, 244, 252–3
 - sustaining change 223, 244, 253
 - transformational 254
 - visioning 223, 244, 245–7
 - see also* top teams

- lean 195, 198–203, 412
- learned helplessness 86–7, 232
- learning 29–30, 399
 - collective 399, 408–19
 - continuous change and 35, 48
 - double-loop 42, 369, 370, 404, 409–10
 - experiential 367, 399, 401–7
 - ideologies and 417–19
 - impediments to 411–19
 - increasing returns and 9
 - measures 68, 373
 - from own experience 399, 401–7
 - in personal transitions 348, 352
 - post-implementation reviews 411
- reflection and 348, 352, 401–7, 410–11
- single-loop 403–4, 409–10
- training and development 171, 188, 190–1, 338
- transparency and 415–16
- learning charts 405–7
- learning logs 405–7
- learning organizations 42, 43
- Leeson, Nick 295
- legal templates 327–8
- Leicester Royal Infirmary 50
- letting go phase 347, 351
- leverage points 158–9
- Lewin's three-step model of change 19–21, 23, 48, 78–9, 381
- Library House 204, 371–2
- life cycle models of change 1, 5, 6, 7, 266, 268
- life cycle theory of management fads 211–12
- Likert, Rensis 180
- localized event scenarios 205
- lock-in phase 13
- locus of control 86
- loss frame 268
- low-end footholds 54
- Lyons Confectionery 90, 92

M

- Machiavellianism 289
- Maersk Line 319, 323, 374–6
- McDonald's 391
- McKinsey 7S model 107, 110–11, 118, 124
- management by objectives 211
- managerial arrogance 366
- manipulation 259, 332
- Mann Gulch tragedy, Montana 245
- marketplace business model 56
- Masson, Mar 246
- matrix organization structures 158–9
- means 124
- Médecins Sans Frontières 188, 288
- medical tourism 10–11
- meeting canoe tool 178–9
- mental contrasting 172–3
- mental maps 101, 402
- mental models 63
 - shared 35, 39, 78, 409, 410, 417–18
- mentoring 170–2
- Mercedes-Benz 77
- mergers and acquisitions 207–9, 358–67
- microcomputer producers 41–2
- Microsoft 10, 88, 251
- Mid Staffordshire hospitals 280–1, 283, 286–7, 294, 295
- Middleton, Debbie 352
- mirror meetings 179
- mission statements 299, 300
- models
 - conceptual 89, 101
 - psychological reaction stage model 346–9
 - see also* diagnostic models; mental models; process models of change
- momentum, maintaining 223, 244, 253
- monitoring and reviewing progress 26–8, 355, 368–77
- Morgan Stanley 163
- motivation 26, 87–8, 224–5, 322–41
 - case studies 88, 225, 339–40
 - expectancy theory and 333–9
 - factors affecting 326–9
 - in family businesses 328–9
 - inferred 91–2
 - innovation/values fit 393–6
 - job design and 216–17
 - organizational commitment and 323–6
 - psychological contract and 323–4
 - ways to increase 329–33
- motivational barriers to change 39
- motivational deficits 87
- music industry 41
- mutual altruism 288

N

- Napster 41
- national culture, ethical practice and 294
- National Health Service (NHS) 50, 66, 202, 242–3, 309, 382, 384, 413, 420–2
- navigation apps 57
- negotiation 264, 332
- neo-institutional theory 37–8
- new-market footholds 53
- Nightingale hospitals 243
- Nokia 9–10, 33–4, 88, 248, 250–1, 349
- Norman, Archie 392
- normative embeddedness 37, 39
- Norsk Hydro 393
- North, Jo 253
- Northern Rock 128
- Norwich Union Life 80–2
- nudging 299–300

O

- Oakland's figure of eight framework 164–5
- obedience to authority 291–3
- obligations 39
- observations 122
- Ohio State University 254
- on-demand business model 55–6
- open systems planning 182
- open systems theory 5, 33, 106–7, 168
- operational feedback 22, 371
- Organisation for Economic Co-operation and Development 301
- organization development 137–8
- organization development strategies 138–43
- organization fit 208–9
- organization mirror tool 179, 185, 236, 412
- organization thinking 412
- organizational biographies 182
- organizational commitment 323–6
- organizational conditioning 69
- organizational coupling 256
- organizational culture 112–14, 409
 - culture profiling 185, 203
 - ethical practice and 301
- organizational diagnosis *see* diagnosis
- organizational functioning models *see* diagnostic models
- organizational justice 297, 315–16
 - see also* fair treatment

organizational learning 399, 408–19
 organizational resilience *see* resilience

organizational silence 308–10, 317
 Ørsted 288

output-to-input ratios 66, 67

P

Page, Larry 59, 414
 paradox of embedded agency 69
 paradox of peripheral influence 69
 parallel organization approach 181–2
 parent firm arrogance 366
 Park Circa 56
 parochial self-interest 327–8
 participation 329–31, 337–9
 Patagonia 299
 path dependence 13, 14–15, 63–4
 path formation phase 13
 patterns of change 31, 33–51
 case studies 50–1
 gradualist paradigm 31, 34–6
 punctuated equilibrium
 paradigm 15, 31, 36–43, 60
 typology of change 45–9
 pay inequity 315–16
 PCBtec 313–14, 324, 362
 PDSA cycle 198
 PDSA (plan, do, study, act) cycle 198, 347
 people issues 26, 29, 221
 case study 26, 221–5, 365
 during implementation 362–7
 in mergers and acquisitions
 209, 362–7
 see also change relationships;
 perceptions; personal
 transitions; resistance to change;
 stakeholder management
 people management *see* human
 resource interventions
 perceptions
 of change 156, 376–7
 of fair treatment 275–6, 297,
 315–16, 324, 334, 338–9, 365–6
 Perez, Eva 152–3, 161
 performance
 appraisal 141
 effort–performance
 expectancies 333–4, 337–8
 ethical practice and 296
 high performance
 management 192–5
 indicators of effectiveness 65–8
 key performance objectives 197–8
 management interventions
 141, 189, 192–5
 performance–outcome
 expectancies 333–4, 338
 performance measurement 372–4
 balanced scorecard 68–9,
 203, 373, 374

personal helplessness 232
 personal transitions 342–53
 big-bang disruptions and 344
 facilitating progress through 349–52
 nature of 342–4
 personal cost of coping with 344
 psychological reaction
 stage model 346–9
 responses to 345–52
 social readjustment rating scale 344
 three-phase model 21, 345–6
 person analysis 190
 persuasion 172, 329, 337, 338, 339
 pervasive big-bang disruptions 57–8,
 100, 142, 148–9, 204, 344
 PEST analysis 52–3, 63, 127
 Philips 77
 pilot sites 145
 plan-ahead teams 149
 plan, do, study, act (PDSA) cycle 198, 347
 planning 22, 25, 29, 131, 151–66
 Awakishi diagrams 155
 blueprint 151, 361, 367
 business continuity planning 162–4
 case study 152–3, 161
 characteristics of effective 157–8
 clarity of end state and 157–8
 critical path analysis 159–60
 detailed 153–62, 208–9, 358, 361
 emergency planning 142, 162–4
 feedback mechanisms 161
 figure of eight framework 164–5
 high-level 152–3, 208–9, 358, 360–1
 implementation plans
 156–9, 358, 360–1
 leverage points 158–9
 mergers and acquisitions 208–9
 open systems 182
 perceptions of change and 156
 for predictable surprises 162–4
 resource allocation 160
 reward systems 161
 scheduling 159–60
 transition manager
 appointment 154–5
 using diagnostic information 126–9
 playmakers 72–3, 88, 311
 police 249–50
 political sources of change 52
 politics, organizational 125–6, 218,
 223–4, 261–5, 285, 393
 see also stakeholder management

PolyGram 56
 positive deviance 236
 positive mood 172
 positive thinking 172–4
 post-implementation reviews 411
 postmortems 411
 power and influence 223–4, 262–5,
 269, 285, 294–5, 328
 see also stakeholder management
 predictable surprises 162–4
 see also big-bang disruptions
 preferred future approach 182, 183, 413
 preformation phase 13
 prescriptive mode of intervening
 231–2, 238
 prioritization
 of predictable surprises 162–3
 of principle vulnerabilities 201
 priority reviews 236, 412–13
 proactive change 45–9
 problem-solving approach 182, 232
 procedural justice 315, 365–6
 process mapping 196
 process models of change 1–2, 4–30
 change process model 2–3, 22
 dialectical models 1, 5, 7, 8
 entrepreneurial venture
 creation model 21–2, 371
 evolutionary models 1, 5, 7
 Lewin's three-step model
 19–21, 23, 48, 78–9, 381
 life cycle models 1, 5–7, 266, 268
 reactive sequences 1, 8, 13–14, 401–2
 self-reinforcing sequences
 1, 9–15, 37, 402
 teleological models 1, 5–7
 process re-engineering 141, 184, 195–8
 projective methods of data
 collection 121–2
 prospect theory 266–8
 Prosper-McPherson 339–40
 proximity, ethical practice and 293
 psychological commitment to past
 decisions 10–11, 14, 64
 psychological contract 323–4
 psychological reaction stage model 346–9
 punctuated equilibrium paradigm
 15, 31, 36–43, 60
 purpose 65–6

Q

- qualitative analytical techniques 123–4
 quantitative analytical techniques 124
 quasi-stationary equilibrium 18, 384–5
 questionnaires 121
 quick wins 92, 366

R

- Rank Xerox 391
 re-creation 46, 49
 re-engineering *see* process re-engineering
 reactive change 45–9
 reactive sequences 1, 8, 13–14, 401–2
 readiness for change 21–3, 87–8, 325–6
 factors affecting 326–9
 in family businesses 328–9
 figure of eight framework 164–5
 value innovation and 78–9
 ways to increase 329–33
 see also motivation
 realistic job previews 363
 realistic merger previews 363–4
 recognition of need or opportunity for
 change 22–4, 29, 31–2, 62–73
 agenda for change 23, 32, 63, 64, 71–3
 alignment check tool 70–1
 case studies 63, 72–3
 indicators of effectiveness 65–8
 sensitivity of top teams 69–71
 see also patterns of change;
 sources of change
 red ocean thinking 74–5
 red tape, crisis of 59, 60
 redundancies 275–6, 324, 343
 reflection 348, 352, 401–7, 410–11
 refreezing 19–21, 381
 regional event scenarios 205
 reinvention 391–2
 relational connections 316–17
 relationships, change *see*
 change relationships
 Rendanheyyi 34–6, 195
 reorientation 46, 47, 49
 reputation
 corporate 212, 282–3, 285, 296
 leaders 259, 263
 Research Center for Group Dynamics 174
 resilience 66–7
 big-bang disruptions and 64,
 66–7, 115, 142–3, 204
 change strategies for 142–3
 communications and 316–17
 diagnosis and 115
 success and 64–5
 resistance to change 37, 39,
 41, 48, 156, 322–41
 assumptive worlds and 344
 conference method and 182–3
 denial and 347
 expectancy theory and 333–9
 factors affecting 326–9
 in family businesses 328–9
 as feedback 325
 organizational commitment
 and 323–6
 psychological contract and 323–4
 ways to minimize 329–33
 resilience management 204–7
 adaptive capacity 207
 consequence scenarios 205
 essential organizational
 components 205–6
 prioritization of vulnerabilities 206
 situation awareness 64, 204–5
 resource dependence theory 266–7
 respect 237–8
 responsible behaviour *see* ethical practice
 retail sector 40–1, 54, 392
 reviewing and monitoring progress
 26–8, 355, 368–77
 revolutionary periods 31, 39–42, 60
 rewards 161
 risk assessment 142, 162–3, 297
 rituals 331–2
 Roelofse, Jolene 304–5
 roles
 in communications 310–13
 team 234

S

- sampling 122–3
 Schmidt, Eric 59, 415
 Schmidt, Johnny 323, 374–6
 scientific management 168
 self-belief 12, 86–7
 self-destructive egotism 287
 self-efficacy 171–2, 232, 257, 333, 346
 self-interest 72, 262, 269, 286–7, 327–8
 self-monitoring 257
 self-reinforcing sequences 1, 9–15, 37, 402
 self-report bias 121
 sense giving 223, 244, 247–51
 sense making 64, 223, 244–5, 247–8, 325
 sense of agency 171–2, 232, 246
 sensitivity training 137
 sequences *see* change sequences
 sequencing interventions 217–19
 service profit chain 373
 setup costs 9
 7S matrix 111
 7S model 107, 110–11, 118, 124
 seven wastes tool 201
 shareholder interests 68, 138,
 140, 141, 282–3
 shipping 319, 323, 374–6, 394–5
 shock phase 346–7, 350
 Shrimpton, Andy 72–3
 Silkeborg Council, Denmark 133
 Simpson, Paul 170, 171, 191
 Singh, Prashant 395–6
 single-loop learning 403–4, 409–10
 Site Security and Secure Escorts
 97–9, 101, 105–6, 120
 situation awareness 64, 204–5
 situational leadership 254
 situational variables 143–5
 six-box model 107, 111–12
 SKF UK 275–6
 skill development 20–1
 skills
 change management 89
 helping 238–9
 social care sector 133
 social consensus, ethical
 practice and 293–4
 social constructionism 138, 186, 404
 Social Darwinism 286
 social embeddedness 257
 social influences 69–70
 social intelligence 257
 social readjustment rating scale 344
 socially responsible behaviour 285
 societal event scenarios 205
 sociocultural sources of change 53
 socioemotional support 364, 366–7
 socioemotional wealth 66
 sociotechnical approaches 140, 168–70
 Sorenson, Jay 62
 sources of change 31, 52–61
 big-bang disruptions 57–8
 case study 55, 58
 economic 52
 innovation 53–8

- internal misalignments 58–60
 - political 52
 - sociocultural 53
 - technological 53, 55–7
- Spotify 41, 56
- ‘spray and pray’ strategy 318, 319
- spread errors 391
- spreading change 379, 389–97
 - implementation climate 392–6
 - innovation attributes 390–2, 395
 - innovation/values fit 393–6
- stable quasi-stationary equilibrium 18, 384–5
- stage model of psychological reaction 346–9
- stages, ordering of 6–7
- stakeholder brainstorm 269, 270
- stakeholder grid 234, 271–5
- stakeholder management 26, 140, 223–4, 266–76
 - case study 270, 271–2, 274–5
 - ethical practice and 282–5
 - identifying stakeholders 265–6, 269, 270
 - during implementation 365
 - influencing stakeholders 273–5
 - instrumental approach 283
 - stakeholder analysis 14, 269–72
 - theory of 266–8
- stakeholder perspective 66
 - extended 282–5
 - standard deviations 124
 - star envy syndrome 393
 - starting change process 23, 32, 89–94
 - states 5
 - stickability 379, 384–8
 - storytelling 405–7
 - strategic choice framework 85
 - strategic coupling 256
 - strategic drift 34, 49–50
 - strategic feedback 22, 371–2
 - strategic interventions 185, 203–9, 216
 - culture profiling 203
 - mergers and acquisitions 207–9
 - resilience management 204–7
 - strategy mapping 203
 - transorganizational development 203
 - see also* value innovation
 - strategic issues 213
 - strategic search conferences 413
 - strategies
 - communications 305–6, 318–19, 362, 364
 - see also* change strategies
 - strategy canvas 58, 75, 79
 - strategy mapping 203
 - stratified sampling 123
 - stress management interventions 189
 - structural interventions *see* technostuctural interventions
- substitute products 76
- success, trap of 12, 63–5, 247
- Sueddeutsche Zeitung* 294
- supermarkets 54, 392
- supporting others 223, 225, 244, 252–3, 331–2, 349–52, 366–7
 - see also* personal transitions
- supportive mode of intervening 233–4, 238
- surprises
 - predictable 162–4
 - unprecedented 245
 - see also* big-bang disruptions
- survey feedback intervention 180–1, 185
- survivor syndrome 275–6, 324
- sustainability 285
- sustaining change 22, 28, 29, 379, 381–8
 - key enablers 386–7
 - role of leadership 223, 244, 253
 - shared mental models and 410
 - spreadability 379, 389–97
 - stickability 379, 384–8
 - in value innovation 79–80
- sustaining innovation 53, 64
- SWOT analysis 126–8
- Symbian Ltd 248–9
- System Scenarios Tool (SST) 170
- system-wide interventions 168–70
- systems-level review 190
- systems thinking *see* open systems theory

T

- T-group training 137, 216
- tacit knowledge 257
- talent management 188–91
- tankers 394–5
- task analysis 190
- Tavistock Institute of Human Relations 168
- team building 178–9, 185, 215
- team roles 234
- technological sources of change 53, 55–7
- technostuctural interventions
 - 185, 195–203, 215, 219
 - lean 195, 198–203, 412
 - process re-engineering 141, 184, 195–8
- technostuctural issues 213
- teleological models of change 1, 5–7
- ‘tell and sell’ strategy 318, 319
- testing
 - hypotheses 99, 100
 - in personal transitions 347, 352
 - in process re-engineering 198
- theft, employee 315–16, 366
- theories, espoused 402, 412
 - theories-in-use 402, 412
 - theorizing mode of intervening 234–5, 238
- Thomas, Hugh 60
- three-dimensional models
 - change strategy selection 145–7
 - intervention selection 212–17
- three-step model of change 19–21, 23, 48, 78–9, 381
- time perspective 66
- TomTom 57
- top teams
 - change strategies and 141–2
 - in family businesses 190
 - relational connections 316–17
 - sensitivity of 69–71
 - see also* leadership
- total quality management (TQM) 137, 141, 217
- Toyota 67, 206, 296
- Toyota Production System 200–1
- training and development 171, 188, 190–1, 338
- training needs analysis 190
- trajectories
 - constructed 7
 - predetermined 7
- transactional change 112–14
- transformational change 43, 45–9, 112–14, 141, 146–7, 212
- transformational leadership 254
- transformational strategies 138, 146–7, 149
- transition management 49
- transition managers 154–5
- transitions, personal *see* personal transitions
- transition state 153–4
- translation 35, 48
- transorganizational development 203
- transparency 314–15, 415–16
- trap of success 12, 63–5, 247
- triple bottom line 285
- Triumph case study 26, 221–5, 365
- Trump, Donald 52
- trust 91, 249–50, 259, 311–13, 326, 365–6
- tuning 45–7, 49

U

- Uber 55, 58, 77, 301
- Ugly Drinks 60
- UK Coal 47
- ‘underscore and explore’ strategy 318, 319, 364
- unfreezing 19–21, 23–5, 48, 329, 381
- universal helplessness 232
- University of Michigan 180
- unprecedented surprises 245
 - see also* big-bang disruptions
- US Army 411

V

- va-Q-tec 44
- value creation 208
- value curves 58, 75, 78–82
- valued outcomes 332–8
- valued outcomes assessment 336–7
- value innovation 32, 58, 74–83
 - case study 80–2
 - four actions framework 58, 75–6, 79, 81
- implementation 78–9, 81–2
- strategy canvas 58, 75, 79
- sustaining change 79–80
- thinking across boundaries 76–8
- value curves 58, 75, 78–82
- values-based systems 297, 298–301
- value, specification of 199
- value stream mapping 199, 201
- vicarious experience 171–2
- vigilance, culture of 62–3
- vision 24
- visioning 100, 187, 223, 244–7
- voice automation and routing 12
- Volkswagen 46, 63, 281, 284, 293–6
- voluntarism 85–9
- Volvo 390
- vulnerability matrix 163, 206

W

- Walmart 285
- waste, elimination of 199, 201
- Weisbord’s six-box model 107, 111–12
- Welch, Jack 141
- wellness interventions 189
- Wells Fargo 295
- Western Electric 88
- whole system interventions 180–3, 185, 203, 413
- ‘withhold and uphold’ strategy 318, 319, 362
- WOOP methodology 173
- work redesign 212
- workforce diversity interventions 189
- working agreements 264, 332
- World Trade Center 163

Y

- Yates, Mick 43, 55

Z

- Zeneca 143
- zero-sum game 264
- Zhang Ruimin 35–6, 331–2