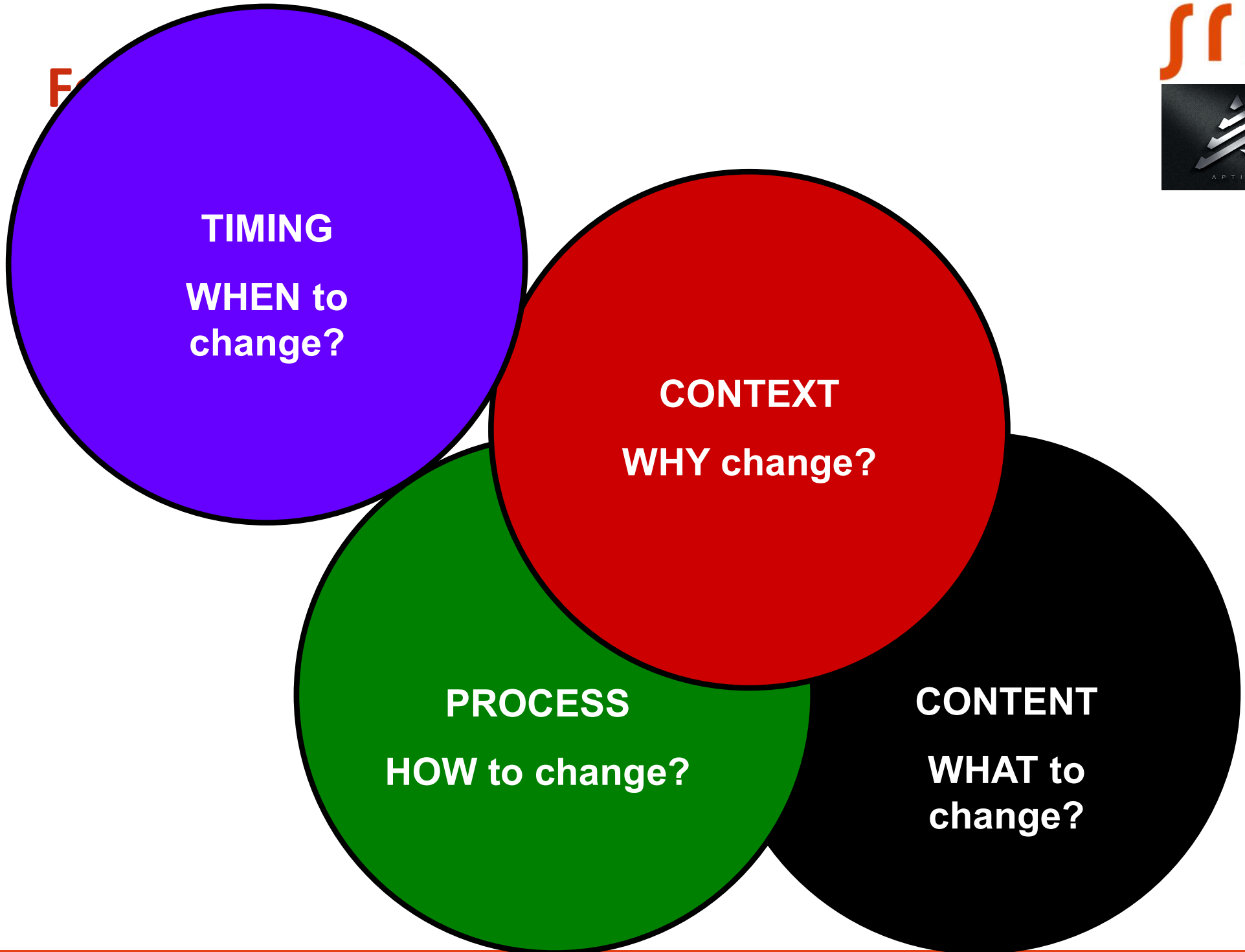# Understanding and managing organisational change

Prof. Dr. Ian Towers

Outline

1. Thoughts about change

2. Change Management

    1. Change leadership

    2. Change management steps

    3. Reaction to change

3. Conclusion

TIMING

WHEN to change?

CONTEXT

WHY change?

PROCESS

HOW to change?

CONTENT

WHAT to change?

What do you think?
What are reasons for starting an organisational change?

Why Change?

External Pressures
-Fashion
-Mandated
-Geopolitical
-Market decline
-Hyper- competition
-Reputation & credibility

Internal Pressures
-Growth
-Integration & collaboration
-Identity
-New broom
-Power & political

- Change is a risky activity – many organizational changes fail or do not realize their intended outcomes. This raises the question: why is change so prevalent?
- Pressure to change comes from:
  - External, environmental pressures
  - Internal, organizational pressures

Environmental Pressures

Why Change?

External Pressures
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Internal Pressures
-Growth
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Pressure	Examples	Description
Fashion pressures	Boeing Co.	Managers imitate practices associated with successful organizations
Mandated pressures	Chevron Texaco	An organization changes through formally or informally mandated requirements.
Geopolitical pressures	3M	Macroeconomic changes (or crises) place pressure on organizations to change the way they operate.

Environmental Pressures

Why Change?

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Internal Pressures
-Growth
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Pressure	Examples	Description
Market decline pressures	AOL Time Warner	When current markets begin to decline there is pressure to find newer, more viable markets.
Hyper-competition pressures	Dell	The highly intensified rate of business – including shortened product life cycles and rapid responses by competitors – produces pressure for change at the organizational level.
Reputation and credibility pressures	News International	In light of recent scandals, the pressure to maintain a good reputation and high level of credibility has increased.

Internal Pressures

Why Change?

External Pressures
-Fashion
-Mandated
-Geopolitical
-Market decline
-Hyper-competition
-Reputation & credibility

Internal Pressures
-Growth
-Integration & collaboration
-Identity
-New broom
-Power & political

Pressure	Examples	Description
Growth pressures	Microsoft	Existing systems and processes in an organization may no longer be applicable when the size of the organization increases.
Integration and collaboration pressures	EDS	Integration and creating economies of scale can lead to pressure for change in organizations.
Identity pressures	Forte Hotel	A common organizational identity and the unified commitment of staff in different areas/departments of an organization can be difficult to manage and may encourage change.

Internal Pressures

Why Change?

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Internal Pressures
-Growth
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-Identity
-New broom
-Power & political

| Pressure	Examples	Description
New broom pressures	Bank of America	Change at the senior management level – particularly of CEO - can often be a catalyst for significant changes in an organization.
Power and political pressures	Morgan Stanley	Power relationships and politicking can change internal processes and decision making.

What do you think?
What can we change in an organisation?

The Value Chain

Which activities are affected by moving to AM?
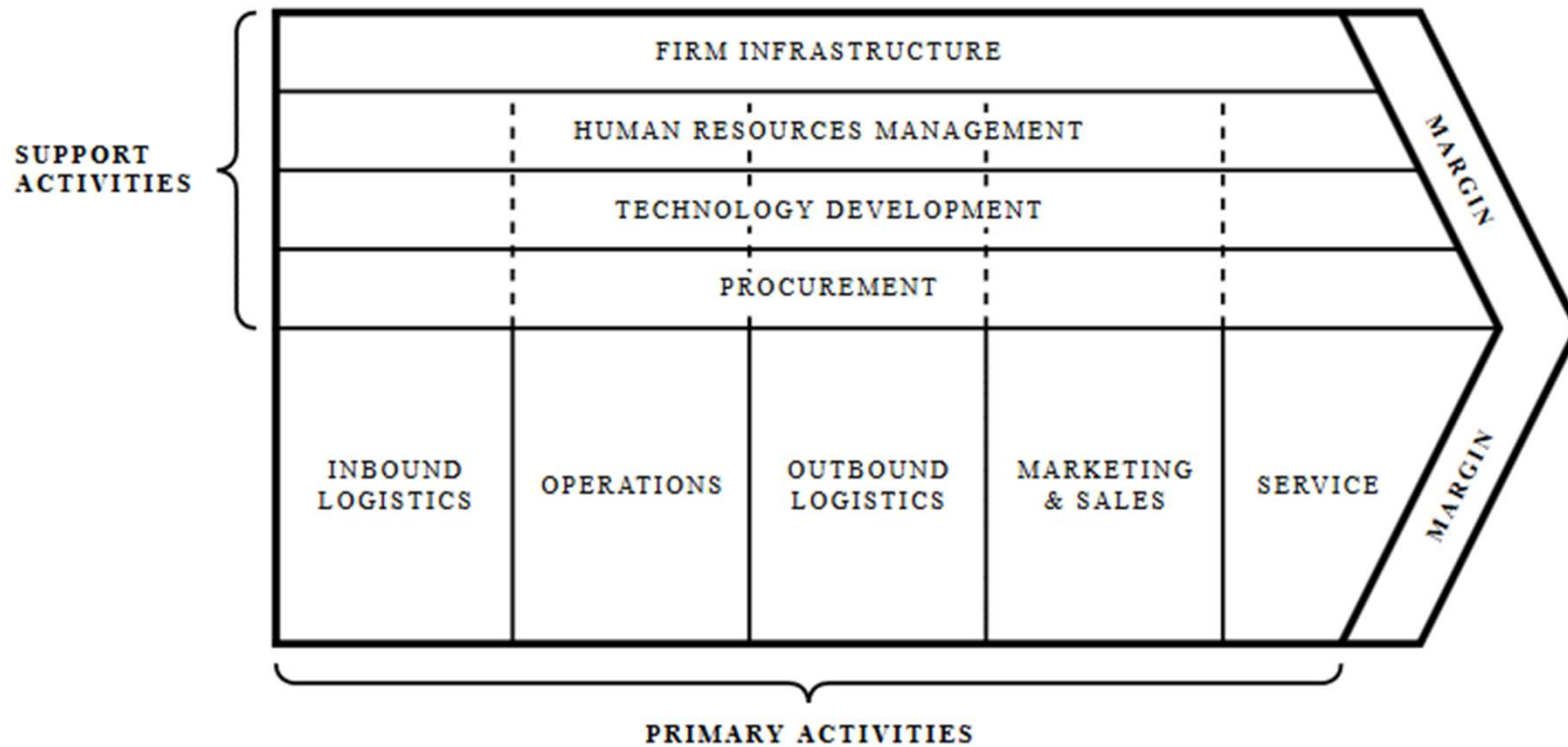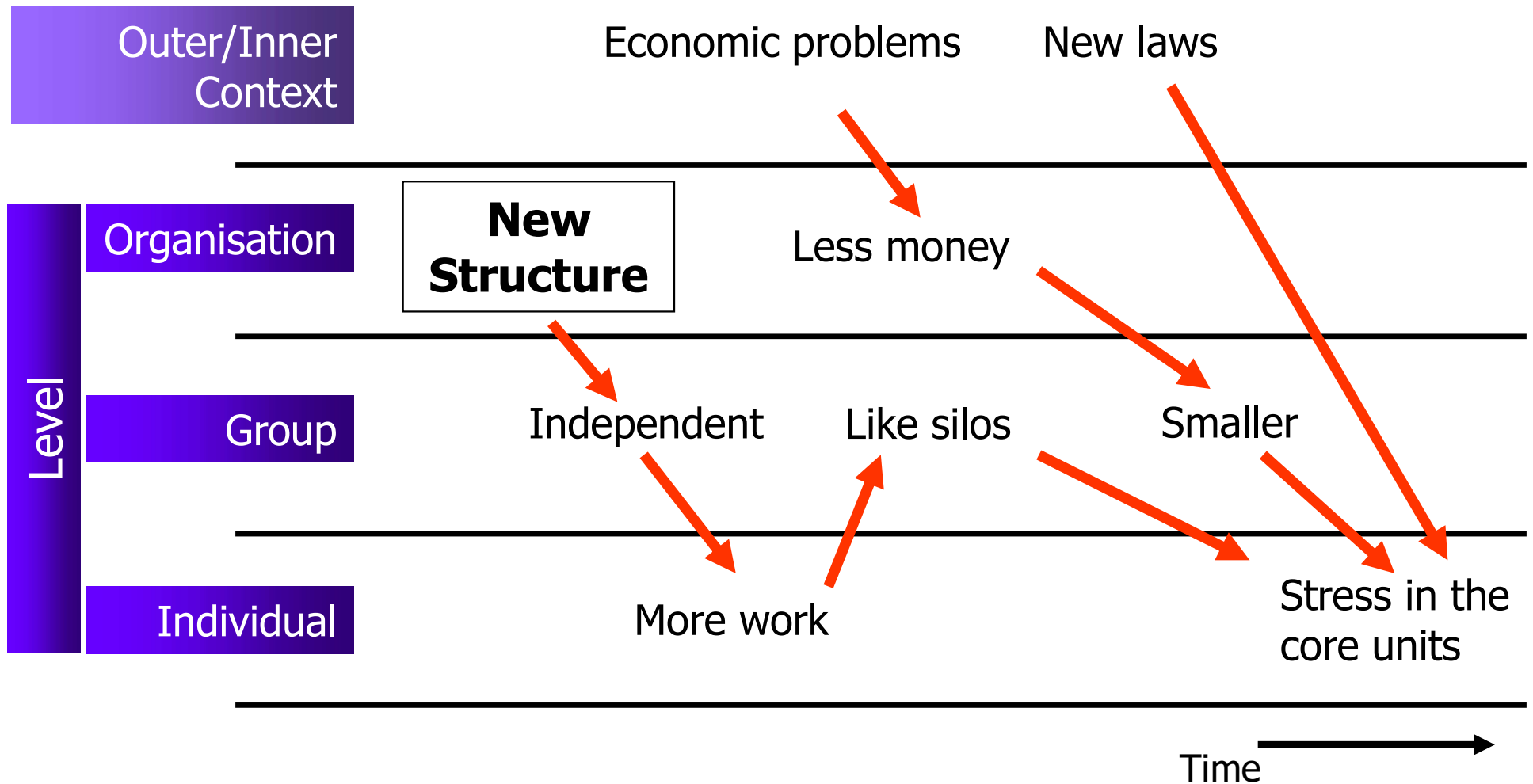
Change Drivers and Change Levels

The larger system

Organisation

Team / Group

Self
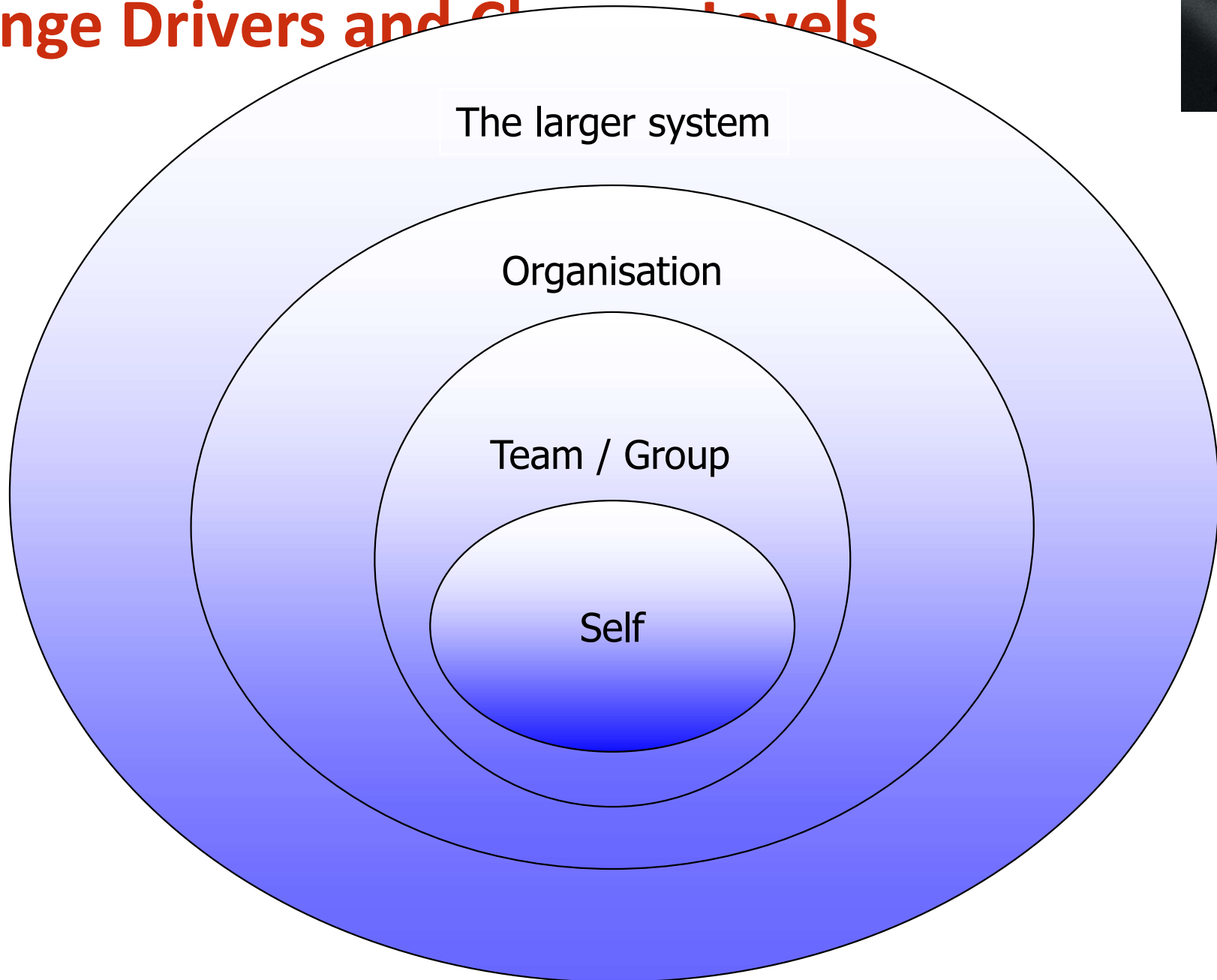
Types of Change

Scale	Continuous		Episodic	
	Tuning	**Adapting**	**Re-orienting**	**Recreating**
Planned	Continuous adaptations (eg Kaizen)	Continuous realignment of the system (eg TQM, Culture Change)	Periodic adjustments	Revolutionary change
Emergent	Change „just happens" Reactive Unplanned			

Change, Levels, Time
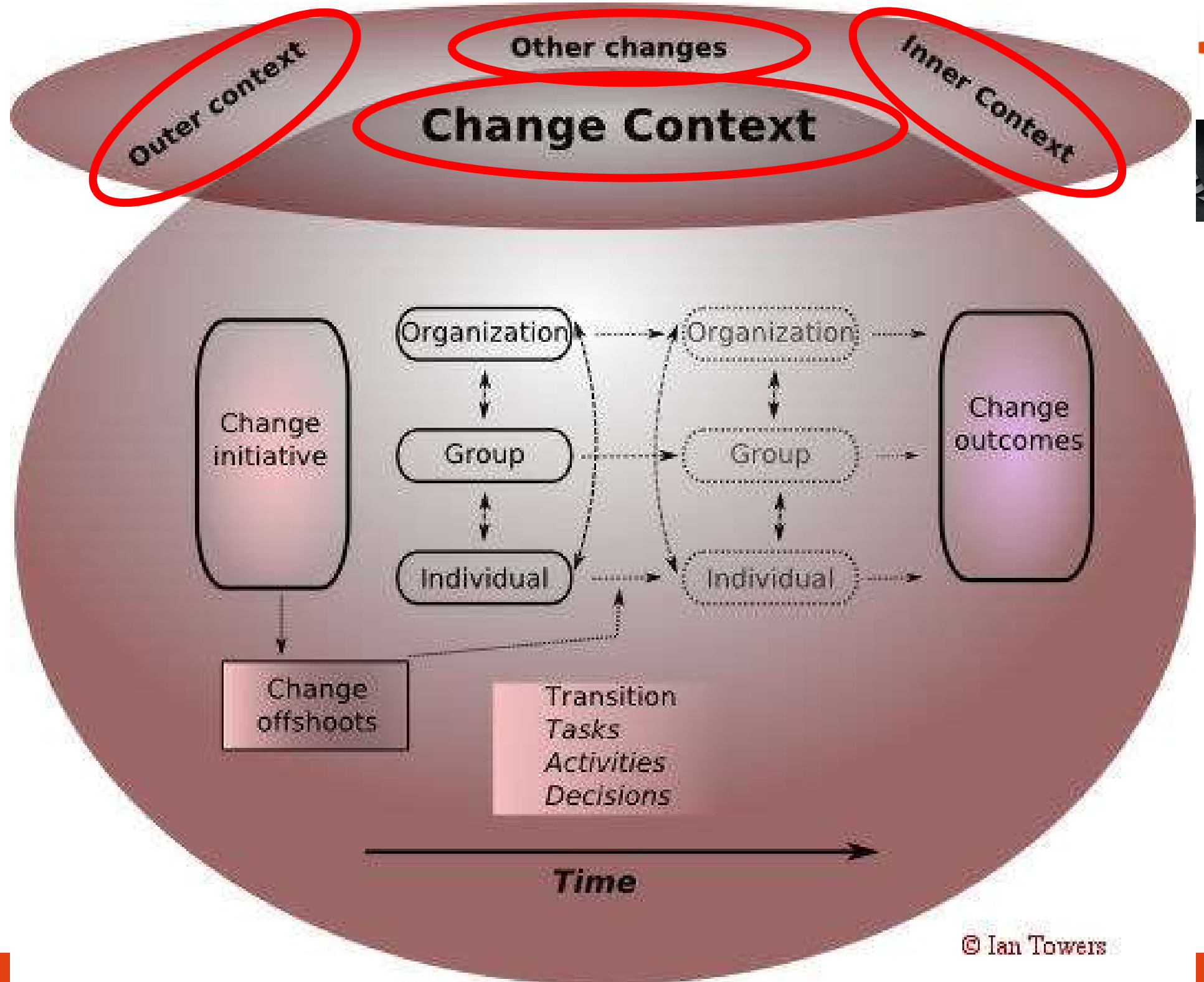
Level

Outer/Inner Context	Economic problems New laws
Organisation	New Structure Less money
Group	Independent Like silos Smaller
Individual	More work Stress in the core units

Time

Change Context

Outer context   Other changes   Inner Context

Organization → Organization
Group → Group
Individual → Individual

Change initiative
Change outcomes
Change offshoots

Transition
Tasks
Activities
Decisions

Time

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Change Roles in Organizations

Think of a time when you have been involved in change. What roles did you play? How comfortable were you with each of those roles?

1. Change Initiator

2. Change Implementer

3. Change Facilitator

4. Change Recipient

How did each of these roles feel? What did you accomplish in each role?

Change Leader

- Formal change leaders (or agents) spearhead the change, and may play any or all of the change roles.

- Informal change leaders can emerge anytime throughout the change process

- What are the key characteristics and skills of the change leader?

Attributes of Change Leaders

Inspiring vision	92*
Entrepreneurship	87
Integrity and honesty	76
Learning from others	72
Openness to new ideas	66
Risk-taking	56
Adaptability and flexibility	49
Creativity	42
Experimentation	38
Using power	29

* % of respondents who identified the attribute.

Attributes of Change Managers

Empowering others	88
Team building	82
Learning from others	79
Adaptability and flexibility	69
Openness to new ideas	64
Managing resistance	58
Conflict resolution	53
Networking	52
Knowledge of the business	37
Problem solving	29

What is Change Management?

- Strategy of planned and systematic change, through affecting:
  - Organisational structure
  - Organisational culture
  - Individual/group behaviour

- Taking into account interactions between:
  - Individuals
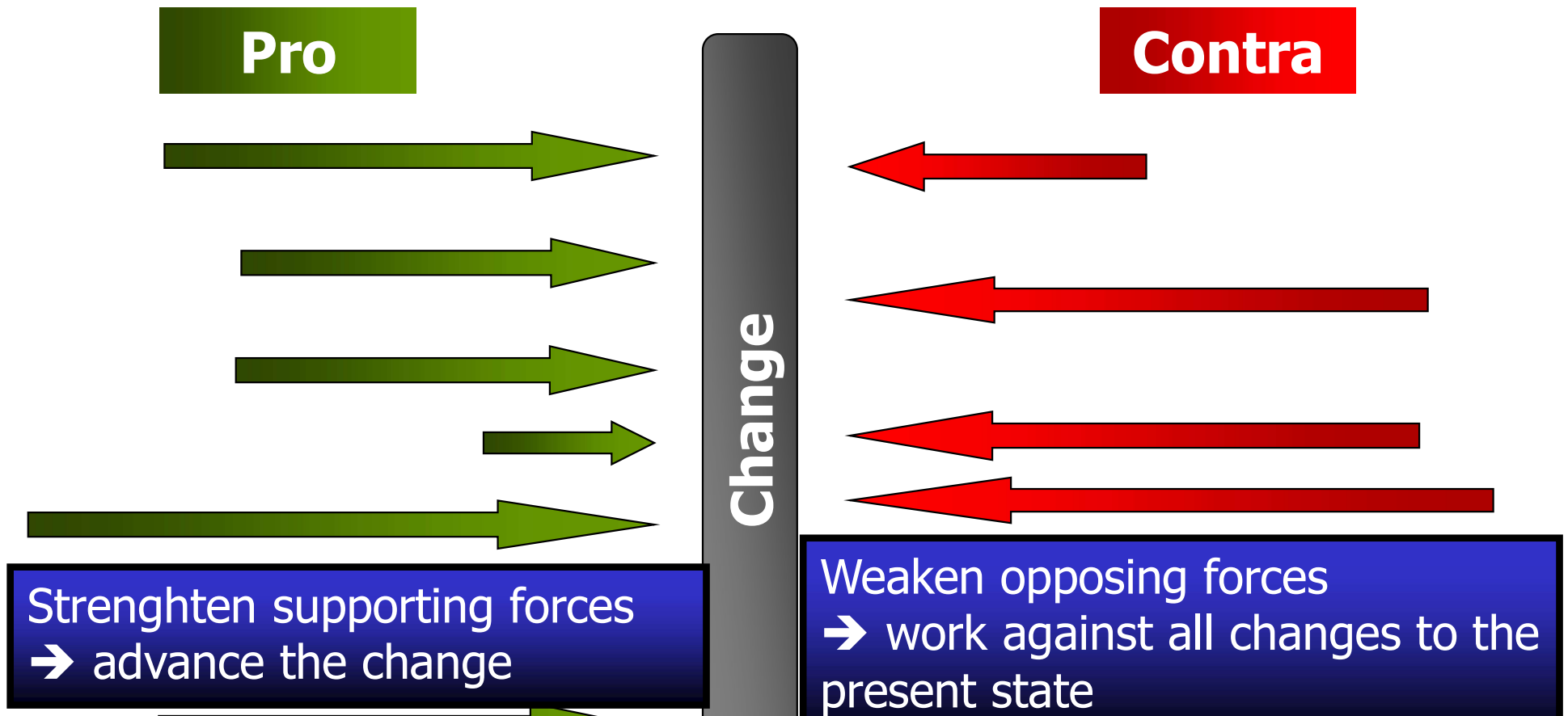 - Groups
  - Technology
  - Environment
  - etc

Three Phase Model
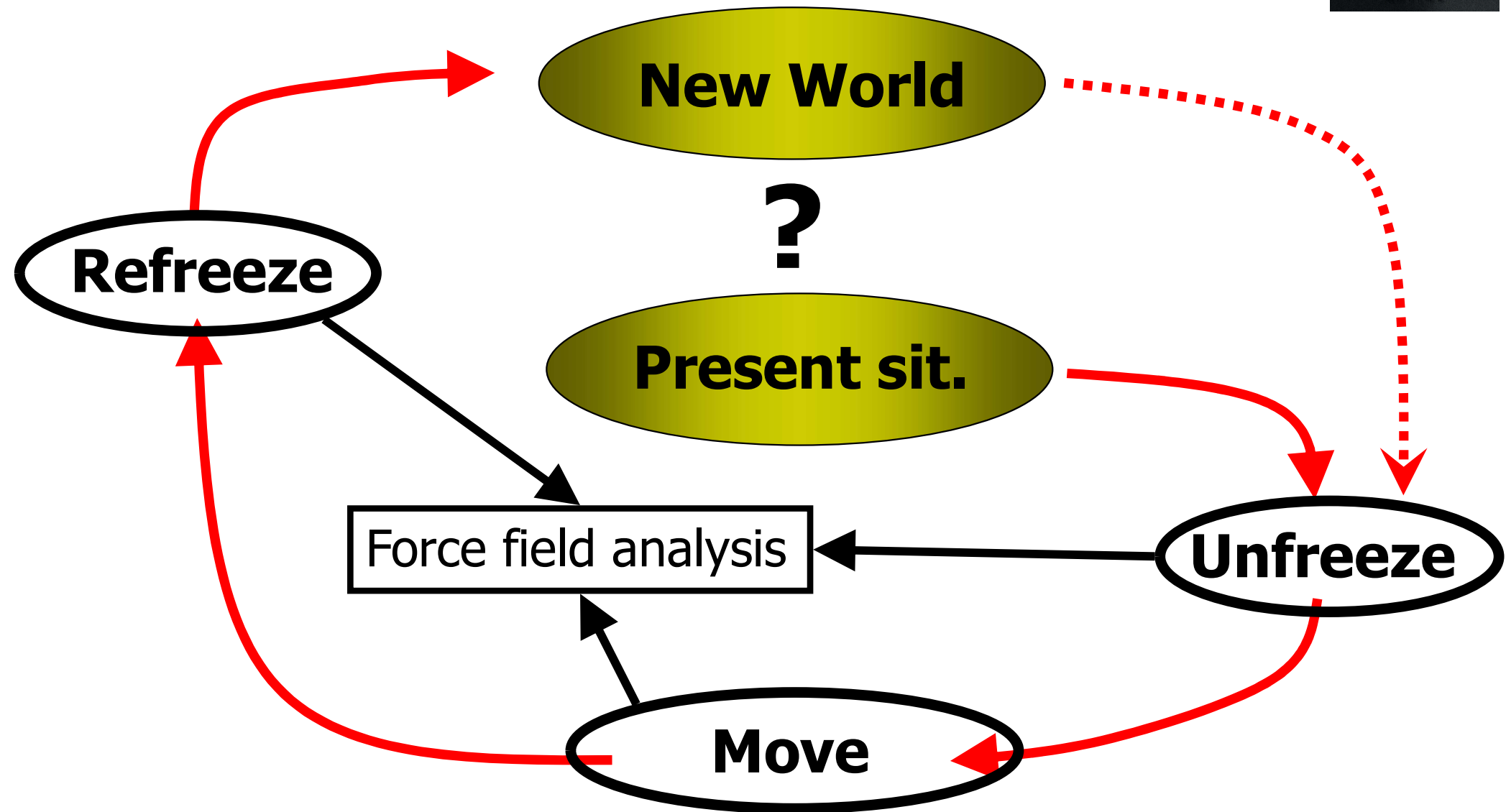
Three Phase Model

Stage 1: Unfreezing	Stage 2: Moving	Stage 3: Refreezing
Create dissatisfaction (with the status quo)

Benchmark operations

Diagnose internal barriers to performance | Redesign organizational roles, responsibilities, and relationships

Train for newly required skills

Promote supporters/remove resisters | Align pay/reward systems

Reengineer measurement/ control systems

Create new organization structure |

Force Field Analysis

Pro

Contra

Change

Strenghten supporting forces
➔ advance the change

Weaken opposing forces
➔ work against all changes to the present state

Normal situation:
Combination of both approaches

Example: Manufacturing company

- This concern has been a traditional manufacturer of components for the airline industry for 50 years

- It is thinking of introducing addive manufacturing?

    What forces will be for the change and what forces will be against it?

Example: Manufacturing company

- Strengthen **supportive** forces
  - Increase salaries
  - Training…..

- Weaken **opposing** forces
  - Individual discussion with staff
  - Listen to concerns and reservations
  - Propose solutions…

Kotter's 8 Steps

1. Establish a sense of urgency
- Examine market and competitive realities
- Identify and disuss crises, potential crises and opportunities

2. Form a powerful guiding coalition
- Assemble a group with enough power to lead the change effort
- Encourage the group to work as a team

I. Set the stage

Tools:
1. Project plan

Kotter's 8 Steps

3. Develop the Change Vision and Strategy
• Create a vision to help direct the change effort
• Develop strategies for achieving that vision

4. Communicate the Vision
• Use every vehicle possible to communicate the new vision and strategies
• Teach new behaviors by the example of the guiding coalition

I. Set the stage

Tools:
1. Brainstorming etc
2. Communication plan
3. Stakeholder analysis

Kotter's 8 Steps

5. Empower Others to Act on the Vision
• Get rid of obstacles to change
• Change systems or structures that seriously undermine the vision
• Encourage risk-taking and non-traditional ideas, activities, and actions

6. Plan for and Create Short-Term Wins
• Plan for visible performance improvements
• Create those improvements
• Recognize and reward employees involved in the improvements

II. Make it happen

Tools:
1. Stakeholder analysis
2. "Culture" work
3. Project plan

Kotter's 8 Steps

7. Consolidate Improvements and Produce Still More Change
• Use increased credibility to change systems, structures, and policies that don't fit the vision
• Hire, promote, and develop employees who can implement the vision
• Reinvigorate the process with new projects, themes, and change agents

8. Institutionalize New Approaches
• Articulate the connections between the new behaviours and organizational success
• Develop the means to ensure leadership development and succession

II. Make it happen

Tools:
1. Reinforce new culture
2. HR activities

Reactions to Change

- Ambiguity
- Risk
- Denial
- Anger
- Fear
- Resentment
- Excitement
- Exploration

- Determination & Commitment
- Tension
- Satisfaction
- Pride
- Lots of Other Potentially Conflicting Emotions

Reactions to Change

Before the Change	During the Change	After the Change
Anticipation & Anxiety Phase	Shock, Denial, & Retreat Phase	Acceptance Phase
Issues: Coping with uncertainty and rumors **1. Pre-change Anxiety**	**Issues:** Coping with the announcement and associated fallout, reacting to the new "reality" **2.Shock** **3.Defensive Retreat** **4.Bargaining** **5.Depression, Guilt, and/or Alienation**	**Issues:** Putting effects of change behind you, acknowledging the change, achieving closure, and moving on to new beginnings—adaptation and change **6.Acknowledgment** **7.Adaptation & Change**

Consequences & Support for Change

Perceived Impact of the Change on the Organization	Perceived Impact of the Change on the Individual	Direction of Support of the Change
Positive	Positive	Strong support for change
Positive	Negative	Indeterminate, with possible resistance
Neutral	Positive	Support for change
Neutral	Negative	Resistance to change
Negative	Positive	Indeterminate support for change
Negative	Negative	Strong resistance to change

Signs of Resistance: Active

- Being critical
- Finding fault
- Ridiculing
- Appealing to fear
- Using facts selectively
- Blaming or accusing
- Sabotaging

- Intimidating or threatening
- Manipulating
- Distorting facts
- Blocking
- Undermining
- Starting rumours
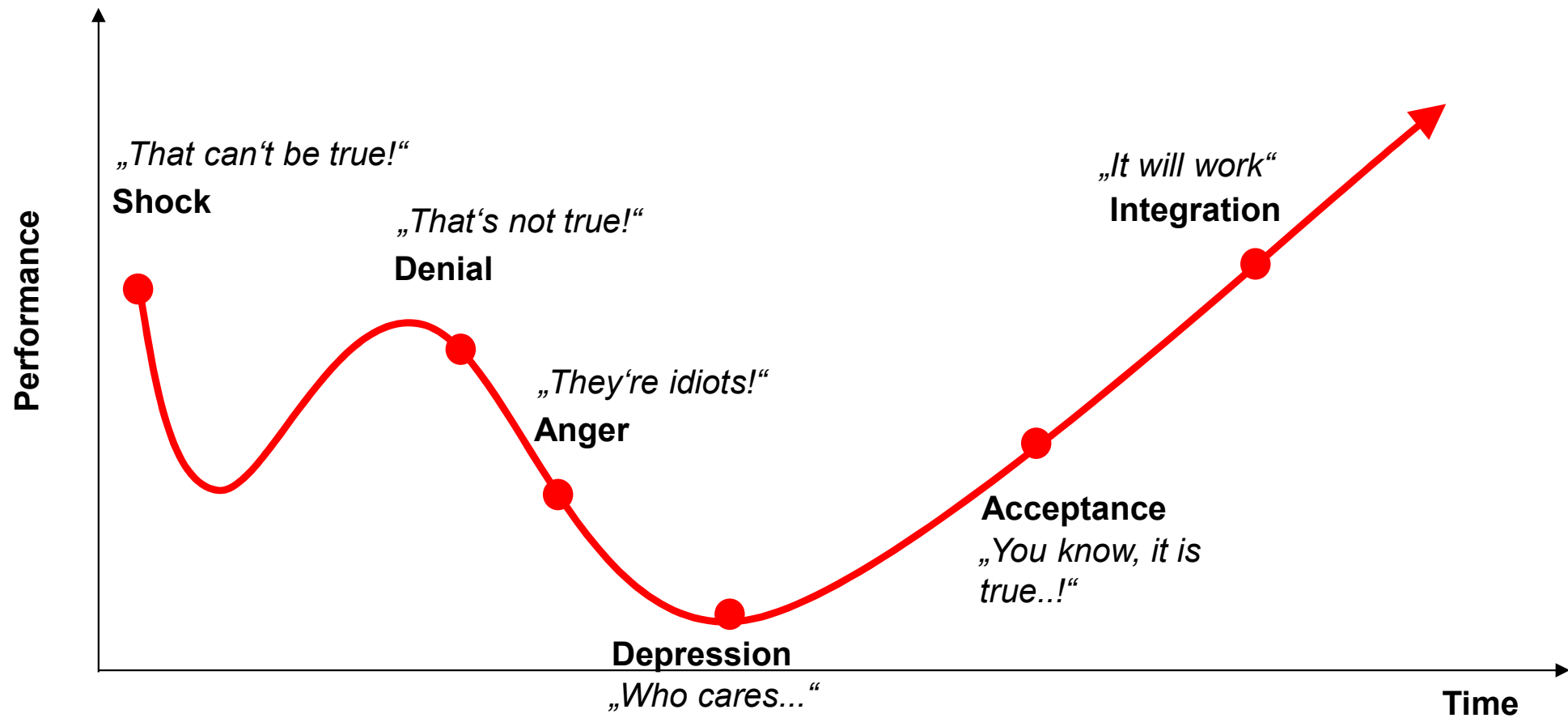- Arguing

Signs of Resistance: Passive

- Agreeing verbally but not following through ("malicious compliance")

- Failing to implement change

- Procrastinating or dragging one's feet

- Feigning ignorance

- Withholding information, suggestions, help, or support

- Standing by and allowing change to fail

Managing Resistance

A "situational" approach: this proposes six methods for managing resistance that should be chosen based on contextual factors.

Method	Context
Education & Communication	Resistance is due to lack of information
Participation & Involvement	Resistance is a reaction to a sense of exclusion from the process
Facilitation & Support	Resistance is due to anxiety and uncertainty
Negotiation & Agreement	Resistors in a strong position to undermine the change process
Manipulation & Cooperation	Other methods are too time consuming or resource demanding
Explicit & Implicit Coercion	Change recipients have little capacity to resist; survival of the org. is at risk without the change

Typical Phases of Reaction to Change


"That can't be true!"
Shock

"That's not true!"
Denial

"They're idiots!"
Anger

"It will work"
Integration

Acceptance
"You know, it is true..!"

Depression
"Who cares..."

Performance

Time

Resistance: General Symptoms

	Verbal	Non-verbal
Active	**Argument**	**Agitation**
Attack	Counter arguments Accusations Threats Polemic Working-to-rule	Disquiet Arguments Plots Rumours Cliques
Passive	**Avoidance**	**Sluggishness**
Flight	Silence Trivialisation Messing about Debating the unimportant	Not paying attention Tiredness Internal emigration Illness

Managing People Involved

Drivers

Supportive
passive

Participative

Wait-and-
see

Deniers

Authoritarian
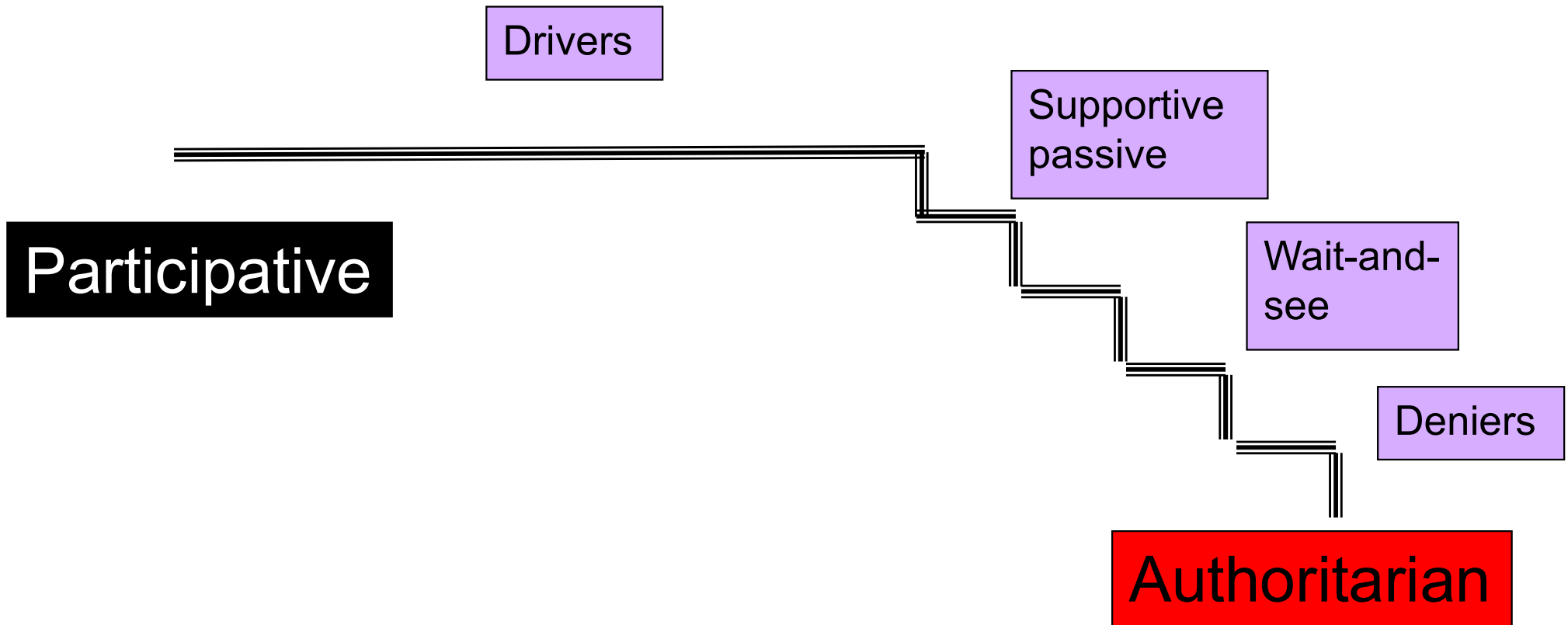
Overcoming Resistance

At an **individual** level, work on: creating understanding (what's the whole thing about?), ability and willingness to change, eg training and appropriate corporate culture

Pay attention to:
Salary	financial disadvantages?
Security	change of workplace?
Contact	Loss of personal relationships?
Recognition	Excessive demands?
Independence	Loss of decision-making ability?
Development	Possibility of personal development?

Overcoming Resistance

At the **Group** level:

- Make people aware of dangers of groupthink
- Encourage group members to express concerns
- Form small groups to investigate alternatives
- External observers can play a role
- Analysis of opponent's plans

Stakeholder Management

Stakeholder Potential Threat

	High	**Low**
High	**Mixed Blessing:** Collaborate	**Supportive:** Involved
Low	**Non-Supportive:** Defend	**Marginal:** Monitor

Stakeholder Potential For Cooperation

Stakeholder Analysis

Stakeholder Category	Stakeholder Name	Stakeholder Priorities	Stakeholder perception	Stakeholder influence	Coping Strategies to address Stakeholder perception	Notes

Communication Process

- The way change is communicated is important to the success of the change program

- The communication process, or mix, includes elements such as content, voice, tone, message, audience, medium, frequency and consistency.

- Many problems can disturb the process of communication:

    - message overload
    - message distortion and
    - message ambiguity

Communication Strategies

- How much communication

  - depending on the change and the image of the change manager the level and extent of communication can vary.

- Getting word out or buy in

  - this differentiates between focusing the communication process on the provision of information or gaining participation in the process.

Communication Plan

Communication Plan

Deliverable/Description	Type (Man/Mktg/ Info)	Target Audience(s)	Delivery Method	Delivery Frequency	Who Responsible?
Status Reports	Mandatory	Sponsor Managers Steering committee	Project Status Report template e-mailed to audience.	Monthly	Project manager
Local Awareness-Building Sessions Inform people of the project and the deliverables that will impact them.	Info	Local staff	Stand-up presentations.	Schedule twice weekly until all users covered	Lead analyst
Remote Awareness-Building Sessions Inform people of the project and the deliverables that will impact them.	Info	Remote staff	Webcast presentations.	Hold sessions three times a week until all users covered	Lead analyst
Project Pins Pins will be given out to all people attending the awareness presentations to build enthusiasm and brand image.	Marketing	Everyone	Hand out to those that attend the awareness presentations. Send pin in intercompany mail to those that attend Webcasts.	Same frequency as awareness sessions	Project administrator

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Mistakes

☒ Blind takeoff

   ☒ Insufficient analysis of starting position

☒ Inadequate awareness of problems

   ☒ Most staff see no need for changes

☒ Truth only leaks out

   ☒ Poor communication

☒ Take it or leave it

   ☒ Poor change management style

Mistakes

☒ Throw bombs and „not invented here"

   ☒ Unprofessional stakeholder management

☒ Everything in one shot

   ☒ Too large a scope of change, too fast

☒ Political games

Success Factors

☑ Good diagnosis

  ☑ Efficacy and effiency

  ☑ Necessity

  ☑ Feasibility

☑ Cure the disease

  ☑ Change processes that only deal with symptoms
  are not successful

☑ Focus on whoever should benefit

Success Factors

- ☑ Emphasise how individuals benefit
  - ☑ What's in it for me?
- ☑ Act transparently
  - ☑ Communication, Communication, Communication

Success Factors

☑ Support from top management

☑ Win over middle management

☑ Involve everyone who is affected

☑ Good timing and the right speed

  ☑ Not too fast, not too slow

  ☑ Not too early, not too soon