Chapter 1: WHAT IS CHANGE MANAGEMENT?

1. **Title:** What Is Change Management?

2. **Author:** Jin-Hyuk Ahn, Sathappan Thiagarajan, and Subramaniam Ramasubramanian, Aleesha Hegde, Josiah Johnson, Vivek Venkatramani

4. **Chapter Objectives:**

   Key concepts of this chapter are;
   
   - Definition of Change Management
   - The Importance of Collaborative and Interactive Relationship for Change Management
   - Paradigm Shift in Business Strategic Programs to Change Management
   - Emotional Factors and People Issues for Change Management
   - Eight Steps of Change Process
   - Ten Principles of Change Management

   We will also explore two case studies relating to the need for Change Management

5. **Introduction:**
This book is part of The Global Text Project\(^1\) which is a project which will create open content electronic textbooks that will be freely available from a website. The goal is to make textbooks available to the many who cannot afford them. The main vision behind developing this project is not to have just simple transfer of knowledge but to engage those who used these books to engage actively in improving the quality this book. The Change Management book was written by students studying in the Day Master of Science in Information Management (MSIM) program at the Information School, University of Washington under the guidance of Mr. Kevin Clyde D’Souza and consultants and executives working at BearingPoint.

In this chapter, you will learn a general definition of Change Management. Also, you will find out the reason why lots of modern enterprises try to adopt Change Management to their businesses through analyzing well-known management innovation programs such as ERP, 6-Sigma, etc.

The purpose of this chapter is not only to give general concepts of Change Management, but also introduce the eight steps of Change Process and the ten principles of Change Management.

6. Chapter Content:

A. What is Change Management?

\(^1\) http://globaltext.terry.uga.edu/
1. Definition of Change Management

‘Any modern enterprise having a fear to change never survives today!’

Society today is characterized by ongoing quick change. Given the speed at which business moves the market, many enterprises are out of breath and struggle to simply keep up. This means that today, successful business is based on the management capacity to oversee and adapt to fast forward change. Thus, fast, reliable, active, and comprehensive countermeasures to overcome an accumulated stereotyped idea and a traditional organizational culture in the current business environment is the key for survival. Meanwhile, there has been a new tool for the business operation called ‘Change Management.’ What is Change Management?

Change Management is a systematic activity to prepare an organization for and implement ongoing environmental changes in a business operation. So to speak, Change Management is about innovative strategies and speedy activities to deal with variable and sudden changes. In addition, the current definition of Change Management can contain individual change management models to address the people side of change.²

Generally, change management can address the large part of a business operation from planning to controlling; i.e. organization and governance structure, product development, customer satisfaction etc. Successful Change Management not only improves the governance structure which needs to be changed, but also raises productivity up to the maximum level by modifying and complementing the existing organization system. Through these processes, the customer satisfaction can be done with a good image and benefit of a business enterprise.

To achieve the most optimal result via Change Management, it is critical that each organization member works collaboratively and maximizes their capacity. From the management-level to entry-level employees, they should make one voice based on the business vision and goals. However, there are always various types of people in the organization for the matter of change; passive, active, stubborn, or apathetic. Because of these diversities, a leader has to lead his/her members to one direction. In this way, the role of the ‘change manager’ is important to control the variable inside of its organization.

In addition, the role of the sponsor and active support that change needs to receive from the sponsor should take into the consideration for more effective Change Management. No

matter how good a leader we have, change is likely not to succeed without strong sponsorship and partnership. According to the report result from change-management.com, they suggested as follows; ‘active and visible executive sponsorship is the number one contributor to change management success.’ Through this collaborative and interactive relationship between two or more, each organization can not only exchange the ideas for changes, but also conduct its business for mutual benefit.

Also, an information technology and engineering aspect of Change Management takes into the consideration a systematic approach which keeps tracking the system in the organization. For example, what kind of operation system will be reliable to each individual's computer, how often the system update will be made by user's feedback and bug reports, and what patches have to be updated for the system resilience? To decrease the potential risk by changing the system, IT engineers should construct communication, education, and feedback systems which can be changed or updated by the internal and external needs of the targets of change. These needs (data, contents, system requirement, etc.) enable the IT engineers to estimate the potential risk for the change, the detailed system implementation steps to minimize the risk, and the budget control for system implementation.

2. Paradigm Shift to Change Management

‘Management Innovation program focuses on the client-centered business operation’

Before going to next phase, it is worthy of taking a look at the real and simple business cases which could make it for companies have competitive business resilience under the fast changing business environment. Through these cases, Change Management is not only applicable to the organizational structure, but also reliable to in and outside factors of the organization such as maintaining a competitive business strategy and developing a nice product.

There are several Management Innovation programs to deal with change for any modern company, such as 6-Sigma, TQM (Total Quality Management), TPM (Total Productive Maintenance), ERP (Enterprise Resource Planning), etc. Especially among these, 6-Sigma and ERP are the most figurative and energetic programs on the basis of an innovative quality in an electronic and manufacturing field most actively.

6-Sigma is a management philosophy and methodology which was invented by Motorola. It focuses on producing reliable and consistent results through minimizing process variation. As of today, various sectors of industry implement 6-Sigma to the large part of the applications in many different ways. And the main purpose of using 6-Sigma is to discover and then eliminate the causes of defects or errors in manufacturing lines and business processes.⁴

More detailed 6-Sigma procedure is described below:

‘Originally, it referred to the ability of manufacturing processes to produce a very high proportion of output within specification. Processes that operate with "six sigma quality" over the short term are assumed to produce long-term defect levels below 3.4 defects per million opportunities (DPMO). Six Sigma's implicit goal is to improve all processes to that level of quality or better.’⁵ Six Sigma, Wikipedia

For a decade, most of the world’s leading companies (Citibank, GE, POSCO, Samsung, etc.) imported 6-Sigma program to their businesses in order to increase the product quality and achieve cost savings.

As a striking example, GE produced the key concepts for its 6-Sigma implementation as follows,⁶

**Critical to Quality:** Attributes most important to the customer

**Defect:** Failing to deliver what the customer wants

**Process Capability:** What your process can deliver

---

Variation: What the customer sees and feels

Stable Operations: Ensuring consistent, predictable processes to improve what the customer sees and feels

Design for 6-Sigma: Designing to meet customer needs and process capability

Generally, these management innovation programs have a goal of ‘Customer Satisfaction.’ It is very important for the customer management to treat each customer as its family members. Maintaining the product quality is also critical. Thus, these kinds of programs and projects, which aim to improve the system and product development of a company, can be most reliable when they can measure the customer needs accurately.

In addition, here is another Management Innovation Program which can be successfully implemented to the target organization by Change Management; Enterprise Resource Planning (ERP). From this case, you can recognize the importance of Change Management.

For the successful ERP implementation, analyzing the reason why system implementation failed is more important than evaluating the system itself. Usually, the enterprise using ERP starts analyzing the reason of failure from the internal system. But in most of the cases, external factors tend to be more critical to make their ERP systems fail such as choice of a consulting firm and an internal support.7

The choice of a consulting firm is as important as the student needs to have a brilliant teacher for better education. Here is a critical comment about this:

“There is much hype when the vendors are out to move their products, and will always sell and tell you about their success stories and how you will leapfrog into your vision. They never tell you of any failures of such ERP projects, and there seems to be no attention paid to lessons learnt from the famous FoxMeyer Corporation scenario, which lead to its bankruptcy and the lengthy legal battles in the courtrooms with their consultants thereafter. ‘My basic principle is that you don’t make decisions because they

are easy, you don’t make them because they are cheap, you don’t make them because they are popular but you make them because they are right.’ - Theordore Hesburgh”


In addition, the internal support is usually more complex than choosing a reliable consulting firm. The internal support consists of several processes such as budgetary allocation, mobilization of man-power, change management, etc., but the key process is how much change management capacity the enterprise has. In this sense, a new system implementation mainly depends on its groups [members] who are willing to change their mind-sets and behavior processes for the company.

As mentioned before, Change Management confronts the resistance to change in an aspect of a new paradigm shift. If it does not get over the current paradigm by ongoing changes, Change Management will be just like one day dream. If so, what is the main point of Change Management to get over the current paradigm at least, and decrease the trial and error at most?

Ongoing change is a natural process and result with a positive cognition of each employee, so that they are willing to participate in change movement. Because each employee is naturally individualistic considering their characteristics, the experts and professionals recommend that continuous education and open communication, and diverse support are required to be aware of the needs for Change Management on a regular basis.

Furthermore, an interactive process, which can make each employee work collaboratively with other teams and divisions, is also critical to accomplish the Change Management implementation in the business environment.

---

B. Arising Needs for Change Management

‘What is the relationship between Management Innovation program and Change Management? And why is Change Management so important to any modern company?’

While the business environment has been changing much faster, we must stand in the middle of change to be always competitive. So, the endless effort in making ourselves more competitive as well as intuitive is much more critical than ever before. To do this, what kind of attitude is necessary to do the business?

No matter what era and environment we are living in, there is one thing we should keep in mind all the times; that is ‘Mannerism.’ It often means an art style of a period of European art, but in this part, the meaning of Mannerism is exaggerated or affected adherence to a particular style or manner.9 If any modern employee, who needs to maintain the sense of creativeness, originality, and changing, falls into mannerism, his or her mind-set is going to be sick as well as weak slowly. So, mannerism should be kept away from any modern employee.

---

In fact, creativeness and originality are indispensable for anyone. If someone resists being changed, they are an old-fashioned to convention or stick to formality, which means ‘retrogression (or backward).’ So, the passion for creativeness and originality is related to the meaning of having better tomorrow and challenging the future.

Hardly anyone can deny the fact that active participation to change will bring more opportunities to all the members in a company. However, there are only few can deal with change in an active and effective way when they actually face with it. Most of them, they resisted or tried to find out the way to escape from an unexpected situation especially if they believe that the risk by changing was much higher than the given reality.

Generally speaking, everyone can make their future better and more stable than today. But, this can be actualized if only they can manage changeable situations with a strong motivation to change or self-motivated attitude. Also, there will always be some risk by managing change whenever facing these situations.

Change will absolutely be the unique opportunity to step forward, and it seems not the matter of choice for a company any longer considering the fast changing business environment. Only there is a one-way path for change momentum between ‘forward’ and ‘backward’ in modern business environment. Thus, here are some suggestions;

1) **Create the future by changing with some risk,**

2) **Remain today without any risk. The final decision is totally up to you, but your employers do not want to have a passive and inert employee.**

So, what is the relationship between ‘Management Innovation’ and ‘Change Management’? Here we are going to look at the meaning of Change Management in the field of Management Innovation, and the importance of Change Management.

Most enterprises put lots of effort on stepping forward to change movement. As a result, lots of innovation projects have been made depending on the amount of the enthusiasm to change. However, diverse innovation projects often fail because of both the **high-risk and lack of understanding Change Management.**10 There are more difficulties in the middle of a

---

change process which can make employees or members acceptable and stable for the newly
developed Change Management system. It means system functionality and business
process are not major problems, comparing to the other factors shown below.

Considering the reason of failure for the innovation procedure, there are certain cases as
follows;

1) Resistance of an employee to change,

2) Irrelevant sponsorship or unrealistic expectation,

3) Lack of communication,

4) Lack of understanding Change Management.\(^\text{11}\)

These cases exist all the time inside the company because the company does not
manage the basic principle of Change Management before and after launching new projects.

On the other hand, Change Management is very similar to Risk Management. The
success of each change project can be judged more by an outside issue of the project than the
project itself. In this sense, Change Management activity is a tool to improve the organizational
productivity and the rate of return on common investment, rather than an education material for
public relations.

\(^\text{11}\) Kirschner, P. A., M. Hendricks, F. Paas, I. Wopereis, and B. Cordewener. Determinants for Failure and Success of
C. Phases of Change

1. The Eight Steps of Change Process by John P. Kotter

‘The emotional factors are the most important to Change Management!’

Harvard Business School Professor John P. Kotter is very well-known in the field of Change and Leadership. There is hardly anyone who can address Change Management better than John Kotter since he published ‘The New Rules’ in 1995. John Kotter has been engaged in Change Management procedure of over a hundred companies. From Ford Motor Company to Landmark Communications, he has lots of enterprise lists as his clients and customers.

Through many business cases and experiences, he has a conclusion that there will be enough time to get Change Management done. In one of his publications, The Heart of Change (2002), he introduced eight steps of effective large scale change effort. When you open the book, you can find out the statement as follows;

“People change what they do less because they are given analysis that shifts their thinking than because they are shown a truth that influences their feelings.” John Kotter, 2002, p.1

This impressive statement from the first sentence of his book makes his argument that the emotional factors are most important to Change Management. Also, he believes that there is a certain stream which can lead a company to success. It is not always easy to handle though.

Apparently, there is no perfect man or woman who can free from the mistakes in Change Management. Thus, we need to take into the consideration the eight step change procedure.
1. Increase Urgency
2. Build the Guiding Team
3. Get the Vision
4. Communicate for Buy In
5. Empower Action
6. Create Short-Term Wins
7. Don’t Let Up
8. Make Change Stick

Through each of the eight steps, you can find out his way to accomplish a change behavior. The main concept is ‘SEE,’ ‘FEEL,’ and ‘CHANGE.’ The detailed explanation is described in the figure 1 below;

Figure 1

See – Feel – Change Logic
2. Ten Principles of Change Management by John Jones at Booz & Company

‘Start at the top!’

There is not only one optimal business strategy [methodology] which can be applied to every single modern enterprise. Otherwise, several practices, tools, and programs, which can be applied to the companies’ variable conditions, are available; ‘Ten Principles of Change Management’ is one of the applicable theories for Change Management.

Through the implementation of these principles, any member from the top to the bottom in the enterprise can understand how to deal with an individual change. Furthermore, more findings about how to apply their personal change management skills in the organizational level of change management can be done. For the successful Change Management, John Jones (Vice President in New York office), DeAnne Aguirre (Vice President in San Francisco office),
and Matthew Calderone (Senior Associate in New York office) at Booz Allen Hamilton, introduce the ten principles as follows:

1. **Address the “human side” systematically**

   The innovation without having change on *people* and *systems* cannot be successful. So, systematic approaches for ‘People Issues’ (i.e. finding new leaders, changing usual patterns of work, developing new skills and capacities, overcoming predominant cultures in the target-organization) before and after the innovation procedure should be implemented to the entire organization.

2. **Start at the top**

   Because changes could make every single employee give rise to great confusion, the role of a top-leadership such as CEO, CIO, COO, Strategic Management Teams, etc., is very significant. Thus, the top leadership should show a fine example of new changes and approaches to the low-level employees, giving them motivation as well as challenge. For the long term goal and purpose of changes, in addition, all the members should reach an agreement in two ways:

   1) CEOs and top-management teams take the initiative for changes,

   2) Employees dedicate themselves to putting an effort on making the optimal result.

3. **Involve every layer**

   Once a practical target and strategy are established, these should be implemented by the turn of a department, a team, and an individual. At the same time, each level’s leader takes a responsibility for the most effective as well as fast implementation of Change [Management].

---

12 Special thanks to John Jones (Sr. Vice President of Booz Allen Hamilton in N.Y.) who is willing to give permission to use his article.
To make this procedure reliable, the leaders need to have a continuous education and motivation. Also, a company can then anticipate having a next-generation leader whose specialty is Change Management.

4. Make the formal case

Usually people prefer to accept a reasonable fact. In this sense, they may ask their leaders about the legitimacy of Change;

1) How much Change they need
2) Make sure that they are following the right direction for Change
3) How much devotion they have to put

To support these requests, it is very significant for a company to have a clear and concise formal case with vision documentation.

The formal case development consists of three parts:

1) Face reality and clarify the needs for Change
2) Prove a strong faith for Change
3) Provide a road map which can support the decision making and action planning procedure

5. Create ownership

Those who lead changes should be more active than anyone because most of the leaders in the past just agreed with needs to change, and confirmed its justification over and over again.

In this sense, leaders need to have ownership whose responsibility is making change actually happen in the area where they belong to, so that they can lead their teams and influence the needs to change to everyone. So, how can we develop and improve ownership? It can be created by making people identify what the problems and solutions are in a way of giving
incentives and rewards. These benefits can be tangible (financial compensation, retirement plan, etc.) or intangible (forming a friendship, refined corporate culture, etc.) depending on the given situation.

6. Communicate the message

Change leaders often make a common mistake of believing that other people can also fully understand the issues, feel the needs to change, and want to have the new direction to change. Thus, the most optimal change program consolidates the core message which is fully inspirational as well as applicable on a regular basis. Also, communication channels should maintain its flexibility from the bottom to the top, so that the employees can get the right information on time, and they can also provide the useful feedback to their change leaders.

7. Assess the cultural landscape

In the successful change programs, the leaders' role to identify the corporate culture at each level of the organization is very important. Because of lack of understanding or evaluating the culture, companies fail to change very often. By the thorough analysis and diagnosis of the cultural aspects, the organization can assess its readiness to change, confirm major problems which they are facing, identify conflicts, and find out what sources of leadership and resistance they have. Through all these steps, the organization can define the fundamental change factors, such as a new corporate vision, a core value, a cultural behavior, etc., to drive change in an effective way.

8. Address culture explicitly

Once the culture is understood, this should be more investigated than any other area in a change program. To make this happen, leaders should be explicit about the organizational culture and behavior which can support doing the business newly set up, and find out the models and reward systems.

Company culture is a mixture of tangible and intangible assets in the company such as historical events, values, beliefs, behaviors, etc. Hence, Change Management programs can
facilitate creating, combining, or reinforcing cultures. Providing that all the companies have a cultural center, the innovative thinking, activity, and personal identification would be effective way to increase the culture change.

9. Prepare for the unexpected event

Not all Change Management programs go through the plan as previously arranged without any turbulence. There can be unexpected happenings, internal resistance, external environment changes, etc. to prevent the movement to changes. For the effective Change Management, the company consistently needs to evaluate its impact, the organization's readiness, and capacity to adopt the next phase of transformation by change procedure. Also, implementing data as changed and supporting decision-making procedures, change leaders can also maintain their momentum and resolution for changes.

10. Speak to the individual

Change has both aspects, organizational and very individual. Most people would spend many hours with their colleagues in the workplace. So, each person needs to realize every single aspect of change; how their working environment will be changed, what they can have through Change Management, and what success or failure will mean to them eventually. Also, team leaders need to be as honest as they can because people tend to be very sensitive from the reaction which they can see, hear, and feel. In this way, proper remuneration which can make people motivated should be considered significantly to stimulate needs to change by promotion, recognition, bonuses, and benefit packages. Besides, regulations or further educations should be made for those who are opposed to standing in the way of change to increase the level of dedication.

We all know that people have a different taste and perspective. So, leaders should maintain a strong leadership to control their team-members with warm-hearted mind-set, which can understand people's emotional part.13

Overall, the future management would need to deal with Change Management by having professional skills with deep understanding of its organization rather than dealing with an individual level of Change Management eventually. Analyzing potential outcomes through changes is most essential when pursuing changes unless you want to face a high risk of changes. In addition, Change Management should be led by a leader. In this case, the value-focused leadership is very significant because the core of Change Management is based on change leaders, and the professionalization of Change Management is a leadership. Without these, the globalization would fail at the very starting point.

6. Case Studies

Case Study 1 – An organization attempts to innovate without Change Management

West Feliciana Parish is a rural parish (county) in Louisiana, located about 30 miles north of Baton Rouge. Over 20 percent of parish residents live in poverty. The hospital's need to develop a charity care policy became apparent in 2003. That year, the CEO and CFO of the hospital received a letter from the Centers for Medicare and Medicaid Services (CMS), a department within the federal Department of Health and Human Services, asking whether the hospital had a charity care policy. The letter explained that under certain circumstances, hospitals are able to classify uncollected service fees from Medicare recipients as "Medicare bad debt." Once classified, Medicare would pay those fees for its recipients, thereby increasing hospital revenue. After some political and financial analysis, it became clear that adopting and implementing a charity care policy would be advantageous to both the hospital and its patients. Hospital revenue would increase because Medicare would be paying the deductibles and co-pays for indigent Medicare patients. Residents of the community who applied for charity care would not be turned over to collection agencies for failure to pay their hospital bills. It seemed like a no-lose proposition.

The development of the charity care policy moved quickly. The development of the policy was top-down in nature, as no consideration was given to or input taken from frontline staff. Because the CEO personally met with the frontline implementers and discussed the advantages of the policy, there seemed to be a clear understanding of what was needed for effective implementation. Within weeks, a policy was developed that met the requirements of the CMS and the Hospital Board of Commissioners, as well as the needs of patients.

Admissions personnel were assigned responsibility for informing patients about the charity policy and providing them with the assistance necessary to complete the application. The business office manager and billing staff have personal contact with customers who are trying to use the policy to pay their bills. The CEO and CFO met with the directors of both the admissions and business offices to explain the intent of the policy. The CEO expected that customers who knew they could not afford to pay their hospital bills would quickly discover the policy and take advantage of it — but that did not happen. Over the next four months, only one person applied for charity care. On the surface, it made little sense. The application form was simple. Assistance in completing the form was readily available, but still, patients were not applying for free care.

The CEO imagined that the new policy met the conditions described by these theorists and so would move forward quickly. The new policy required very little change in process for the staff. The policy was not ambiguous, and there seemed to be no conflict present; everyone agreed with the policy. Given these factors, with little resistance and few hindrances to policy implementation, no ongoing mechanism was established to monitor the number of people applying for charity care.

With few applications being completed, the CEO began to question frontline implementers and customers about the application process. Initially, he had thought the staff were all in agreement with the new policy and that patients in need would apply in order to avoid being turned over to a collection agency; however, his interviews with the staff and patients uncovered new information. The CEO had not considered the addition of the charity policy much of a change in the operations of the admissions office. However, employees in the admissions office considered it a major change. When employees were polled, some of the reasons offered for the low number of applications included the following:

"I never think to tell people about the policy."
"I do not have time to help explain the application process."
"I do not have time to help them fill out the information."
"People do not like asking for handouts."
"I do not want to imply to people that they cannot afford to pay for medical care."
"It does not make any difference to me if they apply or not — it is their problem."

The CEO’s interviews with patients also revealed information about how the implementation was progressing. Most customers questioned had these comments:

"I did not know about the charity care policy."
"I do not see any reason to fill out the paperwork, because I do not care about being turned over to the credit bureau."
"I am not going to pay the bill, and my credit is already ruined."
"I am too embarrassed to apply for charity care, and I am going to try to pay my bills, but I know I probably will not."

Summarizing the information from all of the interviews revealed the following insights:

The business office staff believed it was not their job to educate or assist customers with respect to charity care.

The clerks in admissions thought the new policy significantly increased their workload.
Patients required more information about the existence of the charity care policy than the hospital was supplying. Customers needed financial counseling to understand the value of applying for charity care and assistance in completing the application. The individual psychology of hospital employees influenced how they performed their roles in the implementation process.

**Conclusions**

The case study points to four lessons that can lead to successful implementation of a new policy, such as the charity care policy in a rural Louisiana hospital.

1. The first lesson learned is that executives should take note of the need to plan the implementation process well in advance of the actual implementation. In this case, no specific implementation plan was developed to educate and gain the support of frontline managers in implementing the new policy.

2. The second lesson learned is the importance of accountability. In this case, no process was put in place to monitor the outputs of frontline workers during policy implementation.

3. The third lesson demonstrates the importance of appointing a leader and a sympathetic champion of the policy. At West Feliciana Parish Hospital, no one had specific responsibility for ensuring that the policy was implemented successfully.

4. The fourth lesson from the case study is the importance of not only working closely with the front line before implementation and during the early days of implementation but also continuing this close working relationship after the new policy has been implemented. After further investigation, it became clear that the frontline workers neither fully understood nor agreed with the new policy. Their understanding and support had simply been taken for granted. This is a major lesson of the case.

Based on their experience in implementing the charity care policy, the hospital CEO and his planning staff designed a new implementation plan that set new goals and described how they would be accomplished.

Outputs were clearly defined and measurable. Admissions clerks would now be held accountable for the actual education and assistance of consumers as measured by survey tools.

Policy implementation is a process that occurs over time. Armed with knowledge about what is working and what is not working, implementers can move forward and modify the implementation process so that policies achieve their objectives.

---

**Case Study 2 – An organization attempts to innovate without Change Management**

---

This was a taxonomy project that we consider a failure. It was for a large organisation that specialises in designing and building new technology and equipment. They are highly innovation focused, they employ scientists and engineers in a wide range of very specialised fields and the work the entire knowledge value chain from basic research to the prototyping of equipment.

They had already purchased a large document management system and a very sophisticated enterprise search engine. Then they had discovered belatedly that these systems would not organise their contents for them and that they needed to do some taxonomy work. We were called in to help, with a very tight development timeline because the roll-out of the new system was already scheduled for some two months down the line. Additionally, much of the work of this organisation is secret. We would not get clearance to work with their primary material to help derive the taxonomy. They wanted us to train and guide their KM champions in the evidence gathering and taxonomy construction techniques. We'd design the framework, make our recommendations, do the training and leave them to it.

The taxonomy was, of course, doomed. The belated realisation that significant taxonomy work needed to be done while in the middle of the system implementation, the scope, scale and complexity of the exercise, and a poor understanding of the purpose, all conspired to bring it down.

Meanwhile, the system implementation was delayed because of integration difficulties, the project sponsor was changed and there was a long period of simply coping in a vacuum. After we had left them, the decision was taken to roll out the system without a taxonomy; when this created difficulty in persuading staff to migrate work to the new system, the project team decided that they needed to address their taxonomy again.

Our failure here was not communicating clearly to our client, but partly this failure was a function of the organisation trying to move too quickly from what is essentially a mixed Level I and II technology environment to a primarily Level III environment.

We took two key lessons from this failure: (1) don't take on impossible projects, because even valiant efforts do not absolve you of blame for failure; (2) don't encourage organisations to move too quickly, even when they are determined that they should. Radical changes in their environments simply will not take hold.
7. Conclusion

This chapter does not aim to describe Management Innovation Programs, but to analyze how any modern enterprise develops their programs and strategies based on the arising issue, **Change Management**.

Change Management is critical that each organization member works collaboratively and maximizes their capacity under the control of Change leaders. In this way, the role of the ‘change leader [manager]’ is the most important to control the variables inside of its organization. Here, you can find two important factors which can heavily affect to Change Management, ‘Emotion’ and ‘People.’

In terms of understanding people’s feelings, the momentum to change can maximize and ongoing Change Management can be made by every single person in the organization. Also, the effective leader who can lead people to the right phase of ongoing changes is indispensable.

In future chapters, you will learn key elements of Change Management, methods of good implementation of Change Management, and further ideas to consider.

You will learn about the history of Change Management, which will discuss how the theory of Change Management was developed and where current theory is at. You will learn about the contemporary models in change management and how each of them varies from each other. The Allen model, the Socio-Technical Systems approach, and the Kotter approach will all be covered. The pros and cons of using one model over the other as well as various factors that should be considered while choosing a particular model are covered.

You will learn the factors that determine the readiness of an organization to incorporate change. Cultural changes can be subdivided into internal and external forces of organizational change. The different dimensions used to measure amount of change, the dynamics of change with respect to the events that triggered change, the reactions of the employees, leadership methods during times of change and individual dynamics of change are all crucial to
implementing Change Management. The perception of change within an organization emphasizes on the importance of belief in the change process and change management models.

You will explore the importance of mission and value statements to organizations and how it develops a clear vision and roadmap for an organization. The importance of communication in organizational change and the objectives of implementing a communication strategy are also discussed. The implementation of change management and the phases of implementation, workforce management, risk management, practice runs, contingency plans, and support, followed by workforce management deals with evaluation of current processes and the effect of the introduction to change, removing redundant steps and methods to increase each member’s efficiency. Risk management includes identification, analysis and assessment of risk, which includes measuring the impact and probability of risk. Practice runs involve going through the steps of implementation of the change. This results in finding the weak points in the process and helps in clarifying vague details. Contingency plans are backup plans that are implemented if the process does not go according to the initial plan and may result in crisis. Support for process is an activity that can help the implementation team by supporting the employees, customers, and processes.

Finally, it is important to realize how people are affected by any change policies that the company implements. Two theories on motivation viz; Maslow’s theory of human motivation and McGregor’s employee motivation theories are discussed. Then we discuss, the role played by managers in helping employees cope with the stress. And, finally we discuss the different types of resistance to change a manager has to deal with.
8. References

[1]. “Change management (people).” *Wikipedia, the Free Encyclopedia*,

[2]. “Managing change: most common mistakes made by sponsors.” *change-management.com*,


[6]. Ernest Madara. *A Recipe and Ingredients for ERP Failure*, articlesbase.com, 2007,
    http://www.articlesbase.com/software-articles/a-recipe-and-ingredients-for-erp-failure-

[7]. “Mannerism.” *Merriam-Webster Online Dictionary*,

[8]. Adel M. Aladwani. *Change management strategies for successful ERP implementation*,


    Failure and Success of Innovation Projects: The Road to Sustainable Educational
    Innovation*, Education Resources Information Center, 2004, pp. 359-368.

A. Introduction

1. Chapter outline

In this chapter, you will learn about the evolution of change management. Three significant areas of change management with case studies are first discussed. Then the chapter focuses on the history of change management. Relevant concepts are discussed with industry examples like military, government, and health care. Towards the end of the chapter, the authors talk about the various lessons learned in this field.

In order to understand change management, this chapter will provide an overview of its history by considering all predominant fields of thought in the discipline and how they converged into what is known today as change management. Specifically, this chapter will detail the following areas:

- The early fields of thought in change management
- The convergence of said fields of thoughts
- Change management illustrations in various industries
- Successes, failures and lessons learned from change management implementation

According to Compact Oxford English Dictionary *change* can be defined in many ways: make or become different, move from one to another or move from one situation or system to another.

*Manage*, on the other hand is defined as: be in charge of, supervise/administer/regulate and succeed despite difficulties.

Various fields of thought exist on change management but the consensus seems to be that change management refers to three significant areas – engineering (a process in systems engineering), organization and people (an organized approach to change in human beings, teams, groups, organizations and societies). Engineers focus on the former while psychologists focus on the human aspect of change.
Chapter 2: HISTORICAL THEORIES OF CHANGE MANAGEMENT

Contributors: Jared P. Keller, Piu Mitra, Prajakta S. Kavalanekar, Jasper Bleys, Shang-Chih Lin, and YuLing Zhou, Eric Bell

Learning objectives
- Define three significant areas in change management
- Comprehend history theories of change management

A. Introduction
1. Chapter outline
   a. History of change management
   b. Industry examples
   c. Successes and failures

B. Three significant areas in change management
1. Engineering
2. Organizational
3. People

C. The early fields of thought in change management
1. Frederick Winslow Taylor (1856 - 1915)
2. Kurt Lewin (1890 - 1947)
4. Formula for change - D x V x F > R (1969)
5. ADKAR
6. John Paul Kotter (1947-Present)

D. The convergence of said fields of thoughts

E. Industry examples
1. Military & Government
2. Healthcare

F. Lessons learned from change management implementation

G. Chapter summary
A. Introduction

2. Chapter outline

In this chapter, you will learn about the evolution of change management. Three significant areas of change management with case studies are first discussed. Then the chapter focuses on the history of change management. Relevant concepts are discussed with industry examples like military, government, and health care. Towards the end of the chapter, the authors talk about the various lessons learned in this field.

In order to understand change management, this chapter will provide an overview of its history by considering all predominant fields of thought in the discipline and how they converged into what is known today as change management. Specifically, this chapter will detail the following areas:

- The early fields of thought in change management
- The convergence of said fields of thoughts
- Change management illustrations in various industries
- Successes, failures and lessons learned from change management implementation

According to Compact Oxford English Dictionary change can be defined in many ways: make or become different, move from one to another or move from one situation or system to another.

Manage, on the other hand is defined as: be in charge of, supervise/administer/regulate and succeed despite difficulties.

Various fields of thought exist on change management but the consensus seems to be that change management refers to three significant areas – engineering (a process in systems engineering), organization and people (an organized approach to change in human beings, teams, groups, organizations and societies). Engineers focus on the former while psychologists focus on the human aspect of change.
B. Three significant areas in change management

1. **Engineering/Technology change**

**Why is it necessary**

In this competitive business world, enhancing science and technology capacity is not a luxury but a necessity. Even countries that lag in technology fall further behind, as industrialized nations with financial resources and a trained scientific work force exploit new knowledge and technologies more quickly and intensively. Implementing technologically advanced systems requires effective management. And for an organization to advance and prosper, updating those systems as new technologies are available becomes a norm. “Technological change means changing the way the company creates or markets its products or services, or the way it uses technology to manage its systems and operations” (Dessler and Phillips, 2007, pg. 306).

**Why is it hard**

Managing technology change in an organization is hard. This is because of a number of reasons. Firstly, organizations approach technology decision making in both rational and irrational ways. There may be a comprehensive and focused planning process to select new technologies to meet feasible and known business needs and goals. Alternatively, a decision to adopt new equipment and technology may be driven solely by glamour of technology, external competition or internal political factors. Secondly, often decisions for technological change are made by top management excluding the key people who have valuable knowledge that can improve performance outcomes. As a result, this change does not bring in the results as desired and at the same time incur additional cost for the organization. Thirdly, even if a change in technology has been successfully implemented, not enough resources are spent for training programs necessary to adapt the technology. Consequently, employees who interact with the new technology find it difficult to cope and this increases resentment. Lastly, employees who are accustomed to doing their job using a particular technology often resist the change to a new technology. They fear whether their skills will be suitable for the changed circumstances and also whether their jobs will be secure.

**Case Study – Learning Elementary School Case** (Haddad, 2002, pg.2)

*Background* - A school district, keen to use technology as the medium of instruction, planned to equip a newly constructed elementary school (which will be referred by the pseudonym “Learning”) with state-of-the-art computer equipments.

In order to implement the plan before start of classes, the superintendent of the school district and the principle of the school bypassed the technology-curriculum committee and teacher’s union and decided to buy 180 laptops which can be arranged on 36 mobile carts that could be wheeled easily to classrooms as required. They chose the equipments based on their experience at a conference which both attended. Their plan was that the new laptops and mobile carts would meet the need for an additional computer laboratory and more than one class can have computer access at the same time.
**Problem** - This well-intentioned but top-down decision turned out to be quite disastrous and unproductive. The laptops were purchased without wireless cards and attaching wires to each of the machine generated tripping hazards. The machines lacked floppy disk drives and as a result students needed to save their work to the network rather than to disk. This prevented them from doing additional work on class assignments and projects at home. The resolution of the laptop screens were poor and the Learning school authority received numerous complaints from students about frequent breakdowns of the newly purchased equipment. This incident also had a long time effect – students were fast losing confidence in computers. Many teachers complained that a second computer laboratory would have been more beneficial and they quietly protested against the decision by staying away deliberately from the laptops. Later, the school authority decided to add wireless cards in the laptops and this increased the budget assigned for the purpose. Breakdowns continued to occur and were costly to afford after the warranty period was over.

**Analysis** - The decision to buy the laptops was made in haste. A decision supported by the committee would have been more fruitful and hassle-free. Most importantly, teachers and students were not included in the decision and as a result the equipment did not meet their needs as desired. Training of using the new equipment was not taken into consideration, therefore, teacher and student would easily lose confidence and reluctant to use it when breakdown occurs. As the machine breakdown occurs so frequently, contractors should be contacted as soon as possible to solve the problems or replace the laptops within the warranty period.

**How to efficiently implement and manage change of technology**

A prescriptive model for successful adoption of technological change is proposed by Haddad in the book *Managing Technological Change - a strategic partnership approach*. The model comprises of various steps that are explained below.

**Identify business strategy and goals** – The first step in the technology adoption process is to identify business strategy and goals of the organization. Data from the SWOT analysis are reviewed to find information about challenges and opportunities the organization has met, its strength and weaknesses, its market position and potential threats from rivals. The strategic directions developed in this stage acts as a guiding reference to all future decisions. They also become the basis against which technology success will be measured in the evaluation stage.

**Assessment of need** – A multidimensional assessment of whether a technology change is required to help the organization meet its business goals is done in this step. It starts with a complete analysis of the existing technology and its drawbacks. Selecting the right technology, cost-benefit analysis and assessing the organization’s readiness to adapt the new technology, are also part of this stage.

**Technology planning** – After deciding and coming to a consensus that a new technology is required, the committee decides in this stage whether to build or buy the new technology. Suggestions are invited from the employees who would be using the new technology about design specifications. Implementation and training plans are also developed in this stage.
System design – In this step, technological specifications are determined and the vendor is selected if technology is purchased instead of developing internally. One of the crucial aspects during this step is to negotiate with the vendor about items like software debugging, ongoing maintenance and providing training to the employees who will be using the system.

Implementation – In this stage, the new technology is implemented. This may occur in one or more pilot departments or across the entire organization all at once. The advantage for the former is that it gives the change for debugging before the full-scale implementation. Training sessions are held during this stage to employees before they start using the system fully.

Evaluation – Evaluation is the final phase of the technology adoption process. The success of technology change is determined by measuring the performance against the goals and objectives that the new technology is expected to meet. If the objectives are quantifiable, it is easy to find out whether the purpose has been met. However, not every objective can be quantified but comparing the outcomes to those of previous technology can give a sense of success or failure.

Case Study – Good Health (Haddad, 2002, pg. 94)

Background and Problem - Good Health (pseudonym), a provider of health care insurance, employed a total of 70 employees in its claims processing department which processed 10,000 to 15,000 claims every week. As its business continued to grow, Good Health’s customer service suffered mainly because of its old-fashioned manual and computer mainframe claims handling system. After receiving quite a number of complaints from employees about manual claims processing, Good Health executives planned to upgrade its dental claims processing system.

Action - First the list of complaints received from employees was reviewed. The employees most complained about two things - the amount of paper work they were responsible for and the lack of a claims tracking system. They were also dissatisfied with the fact that the mainframe computer system used for processing claims lacked the capacity of allowing processors to access the provider database or printing labels for outgoing mails. The departmental manager and the quality supervisor decided to migrate to a personal computer (PC) system since they felt it would improve workflow, efficiency, speed and accuracy of the claim processing service. All the employees in the department were given an opportunity to submit a “wish list” of features they would like to propose in the new PC system which they feel can increase the productivity of the system. The employees recommended three vital needs – an ability to track claims, include patient dental history in the system and general modernization of the claims processing system.

Resolution - The dental claims department started working with the information system (IS) department to custom develop a PC-based claims processing system taking into account the recommendations of the employees. If the IS team was unable to implement any of the proposals, they offered an explanation and offered an alternative solution. As a result of this whole initiative, the newly designed system offered various functionalities like scanning, batching, labeling, indexing capabilities and ability to track claims. Upper management was happy with this change and its successful implementation. They appreciated the design insights of the employees and ordered the formation of a steering committee that would look into
the training aspects of the new system. The steering committee was also responsible for encouraging a bottom-up communication system so that the voices and ideas of the employees could easily reach the upper management.

2. **Organizational Change**

**What is organizational change**

The concept of organizational change typically means a change that affects the whole organization. This does not represent small changes like adding a new manager or modifying a program but rather a massive transformation like change in the mission statement, restructuring the operations or adding a new technology that would affect majority of the employees of the organization.

**What provokes organizational change**

Change should not be done just for the sake of change. It should be done to attain a desired goal. Usually organizational change is provoked by some major external driving force, e.g., significant cuts in funding, deal with new markets or clients, increase in productivity or service to a desired level, etc. But sometimes, organizational change can also be initiated due to some internal reasons, like change in the vision of the organization or the urge to change for accomplishing a good position in the market.

**Why is organization-wide change difficult to accomplish**

Carrying out an organization-wide change is not easy. There are numerous reasons why such an initiate can fail. The Change Management Learning Center ([http://www.change-management.com/tutorials.htm](http://www.change-management.com/tutorials.htm)) provides the following top four reasons why an organizational level change can fail based on a survey conducted in 2007.

1. **Ineffective change sponsorship from senior leaders** – Effective and efficient leadership can mobilize and activate the change process creating enthusiasm and earning support from other comrades. On the other hand, ineffective and poor sponsorship can delay progress and create confusion. Absence of an active and efficient sponsor for the change process is often misinterpreted by the employees. They feel that the change is not important.

2. **Resistance to the change from employees** – It is a natural instinct of most human beings to resist change. There are various reasons for this – fear of the future, fear of one’s existence in the changed environment, complacency and lack of understanding why the change is important. Whenever the news about change is communicated, they think about how they fit into that change and whether their skills will be suitable to survive in that environment.

3. **Poor support and alignment with middle management** – In some cases middle level management can become the biggest hurdle in times of change. They communicate wrong messages about change to the employees under them for their own interest or because of their misunderstanding adding fuel to the
resistance. This resistance sometimes spreads over the entire organization like a virus affecting the good will and understanding among the blue collar and white collar staff.

4. **Lack of change management resources and planning** – Without proper planning and availability of resources any process of a large scale, like organization-wide change, is doomed to fail. Lack of resources and knowledge will affect in the planning and implementation of the change. Similarly, inadequate planning will not take into account all the aspects of change and the risks associated with it. As a result change management will not be holistic and unsuccessful to attain the desired state.

**How organizational changes can effectively be managed**

Most organizational change management models used today are in the form of a process or steps which have been developed based on experiences of experts in this field. These principles offer the “how to change” but not the why. As a result, following the activities blindly without understanding why they are done would lead to failures in most cases. Change management does not work with a “one-size-fits-all” approach; since no two changes can be alike, the same recipe will not be enough for them. Based on the specific change and the particular organization that is being changed, one has to modify or tailor his approach. As a change initiator, the guiding principles of organizational change are vital for understanding both why and how to use change management and they can give a guidance in attaining the desired state.

Hiatt and Creasey in their book “Change Management - the people side of change” presents the following primary principles for organizational change management. (Hiatt & Creasey, 2003, pg. 16)

**Principle 1: Senders and receivers** – Every change has two perspectives: the perspective of a *sender* who is providing information about the change and the perspective of a *receiver* who is being given information about the change. Often senders and receivers are not in the same line of communication at the onset of change. As a result confusion, resentment and resistance increase which disrupts and hurts the change process. To avoid this, the message of change should be communicated to the receivers through “Preferred senders”. Typically immediate supervisors and company executives are likely to be the key senders in such situations.

Sometimes it so happen that the employees hear the whole message but take in only part of it that applies to their personal situation. This can also be dangerous for the success of the change process. To avoid this, managers should not only convey what they have to say but also listen to employees to understand how the communicated message has been received at the other end. Keeping open the effective communication channels and choosing the right people to deliver the news can be very productive at the beginning of every change process.

**Principle 2: Resistance and comfort** – Change management practitioners should always expect and be prepared for resistance. They should not react to resistance with surprise because it is the natural and normal reaction to change. Various reasons motivate individuals to resist change – their personal history, their present living situation, fear of future, uncertainty of success, other changes in life, etc. Thus a good change management plan will include a program to proactively manage resistance.
**Principle 3: Authority for change** – As a change initiator, one should be aware of the fact that effective leadership at the right level can determine the success or failure of the process. Employees judge the credibility of the sponsorship before they engage themselves in the change process. They will not trust the change sponsor if they witness frequent examples of incompetence of that sponsor or if they are aware of a history of failed changes.

An executive sponsor for change has to take into account various perspectives. From the perspective of his peers, he has to invoke the desire for change and create a positive background conversation. From the perspective of mid-level managers and supervisors, the executive needs to convey all the information about change and its impact. He also has to acquire their support for the change by managing resistance, if any, and learning about their expectations. From the perspective of employees, he needs to communicate the business reasons for change and assure them about their existence after the change.

**Principle 4: Value systems** – “The values of control, consistency and predictability create an environment where change is simply a plan to implement or an adjustment to a mechanical system” (Hiatt & Creasey, 2003, pg. 25). In such cases decision is made at the top and the employees have to abide by it. They do not have a say in the whole process nor the required business knowledge.

Top-down change is easier to implement but is not profitable since employees are not empowered enough to make the right decisions that could benefit the organization. In some organizations, new value systems have evolved where employees take ownership of their work and offer suggestions in the improvement of the work process. They also feel empowered to make decisions and are encouraged to focus on results that would benefit the business. These new values have improved business productivity significantly but at the same increased the chances of resistance to change considerably. The reaction of employees to change have shifted from “yes, sir” to “why do we need that?” Change practitioners and business leaders should take into account the impact of the shift of values and adapt their abilities and skills accordingly.

**Principle 5: Incremental vs. radical change** - Depending on the type and size, change can be broken down into two types; incremental change and radical change. In the case of incremental change, a change will take place for a long period of time. The scope of the change is generally small. These types of change are normally not driven by financial crisis or immediate demand for improvement. But they rather focus on improving vital business areas and specific operations over time. Examples of these kinds of change include Six Sigma or continuous quality improvement methods like TQM.

Radical changes are mostly driven by crisis or a new market situation which needs to be addressed quickly. As a result, immediate and dramatic change is required over a short period of time. The objective of the change is normally large since it sometimes replaces an existing business process with something brand new. Examples of these changes include business process reengineering, mergers and acquisitions. Although both of above requires change management, it is a critical success factor for radical and dramatic change. With incremental change, employees get more time to adjust to the new conditions but this is not the case for radical changes. So depending on the type and size of change, a change leader should scale and adjust his management activities to fit the situation. Also, it should be remembered that change management processes are most effective when they are flexible and can be tailored to meet a particular business need.
Principle 6: *The right answer is not enough* – Managers often assume that if they are able to provide the right or correct answer to a business problem, it will be sufficient to overcome employee resistance. Unfortunately, change leaders who take this approach and force their solutions onto employees increase the chances of failure of the change they desire. Even the best solutions require proper change management since employees will not simply go for it because it is good. They need to be explained why it is necessary and what impacts it will have on their lives. The issues that arise in their minds should be listened with patience and properly addressed. Coming up with a good solution does not always mean that its implementation will be successful and the desired business results will be achieved. So along with a right answer, managers should come up with a plan or strategy that can help them to overcome all the potential resistances and hurdles.

Principle 7: *Change is a process* – Managers leading a change should avoid treating it as a single event or a meeting. It is not possible to implement change in a single moment. The change process should be broken down into discrete time periods or phases and strategies/techniques should be developed that addresses the unique needs of that phase. The change leader’s role must be active and visible in all phases and he should make sure that the sense of urgency of change or the desire for change does not fade out from the minds of the employees throughout the process.

Case Study - Managing Organizational Change

**Background & Challenge**

The Wairarapa is a region in the lower half of the North Island in New Zealand. It encompasses a large geographic area characterized by relative isolation and a mainly rural, low density population of around 40,000 people. The demographic characteristics show in increasing population of elderly (over 65 population expected to grow 20% in next 10 years) and Maori. Lower socioeconomic profile than the NZ average. The region is bounded by coastline and mountain ranges and at times is cut off from the rest of the country as the result of poor weather conditions. Public transport within the district and to other centres outside the district is very limited.

For more than a decade the health and hospital services and facilities at Masterton Hospital had been in need of a major overhaul. Facilities were unfit for purpose and non-compliant with a wide range of statutory requirements. Services were organized and delivered along very traditional lines and were increasingly failing to meet the communities’ needs for more integrated and holistic approaches. Connections to higher level secondary and tertiary level services.

2.5 years ago, Masterton Hospital was oversized; inefficiently structured; poor work practices; outmoded culture that was defensive and victimized; isolated from mainstream industry; resistant to change; highest comparative costs and lowest productivity in NZ; running continued deficits;

Given its current state, Masterton Hospital did not have a clinically and financially sustainable service framework and its very existence was threatened.

*The Masterton Strategy*
• Confronting the facts and recognition that a solution needed to be developed, driven and owned locally. No one else had our answer.
• A fundamental Board/Executive/Community commitment to the provision of an appropriate hospital service locally to service the needs of a significant resident population.
• Recognition that to ensure its longer term survival the hospital needed to achieve the highest levels of efficiency and economy possible. Tampering around the edges was not an option.
• Recognition of the fact that, given the magnitude of the task of taking the hospital forward from a position at the bottom of the performance scale to somewhere near the top, successful “change management” had to be the top priority in any proposed restructuring of the hospital and its services.

Action
The first steps
• May 2003 development of a business case, models of care and site master plan. The business case developed on population needs and a pathway to clinical and financial viability. Approval capital for the development of a Greenfield Hospital finalized December 2003.
• Appointment of a project manager, the project team, and a full-time change manager
• Clear parameters developed regarding both physical developments, service expectation and planned efficiencies.
• Setting up of a consultative process of focused around “user groups” with unions engaged early in the process.
• Strong emphasis on understanding workflows, benchmarking and staff visiting other sites.
• Clear and detailed models of care and proposed staffing levels outlined very early in the process.

Problem
• Strong resistance to change on the part of most staff, especially doctors and senior nurses to exploring “new” ways of working.
• Tensions between the “change process” and operational requirements.
• The implications of benchmarking as compared with current practice/configuration
• Union resistance
• Misleading communications
• Community “confusion” as talk of staff cutbacks become more common.

Resolution
• Over the next few months lock-in the new hospital management team to core project and savings objectives; continue to reinforce with all staff the major objectives of the project; closely monitor the change management program; continue to refine models of care and staffing profiles.
• Shift from detailed planned, testing and implementations to recreation and recovery over the Christmas/January break. Focus on preparing to move.
• Expecting to have the organizational and operational change program largely completed before and building opens in March 2006!
• On track to move into the new hospital March 2006 with construction on time and on budget and all planned efficiencies delivered.
3. **People Side of Change**

**Why managing people side of change is difficult**

Among all the aspects of organizational change, managing people’s side of change is the most difficult. It is comparatively easy to predict the process and outcomes of change on operations and technology. But the effect of change on people is hard to judge since human performance is governed solely by perceptions and emotions rather than logical rules and formulae. Moreover, it is a natural instinct of most people to resist change. Many questions arise in their mind when they hear about change: why is the change necessary? How will the change affect me? Will I be able to survive in the changed environment? Efficient and dedicated workforce is a key ingredient of an organization’s success. Thus, addressing the people’s side of change is the most vital challenge for any organization preparing for change. The following case shows how a simple task like painting a parking lot can face obstacles if people’s side of change is not taken into account.

**Case Study – Stripes and tar case** (Hiatt & Creasey, 2003, pg. 6)

**Background**
Mr. Smith (anonymous name) was the president of a business association which included multiple businesses. These businesses had their own condominiums in a single large office complex. Maintenance of that office complex was one of the responsibilities of Smith.

One day Smith felt that the parking lot of the office complex needed resurfacing and new striping. So he hired a local construction contractor for the job. On the following day, the construction company showed up at the office complex and blocked off the parking lot to complete the job.

**Problem**
As the business owners started showing up, they faced resistance while parking their cars. They had no idea what was going on and confronted the construction workers. Dissatisfied with the uninformed answers from the contractor, the business owners instructed the contractor and his men to pack their equipments and leave. The contractor had to abandon the job since Smith was not there to resolve the conflict. After Smith intervened into the matter later that day, business owners conveyed their annoyance regarding the whole incident and their concern about the unknown financial impact.

**Analysis**
In the above case, the president Mr. Smith knew what was necessary, took the leadership and tried to complete it. The change he planned was small and he was doing the right thing in terms of maintenance. But he did not engage other people who could be affected by this change in his decision. He should have made the business owners about the construction work and the possible financial benefit it would have. Mr. Smith also did not communicate the business owners how and when the work will be done and what they need to do to support the venture. As a result, there was a strong resistance from the business owners who had enough power to stop the initiative. The project failed completely because Mr. Smith completely neglected the people side of the change.
How to successfully manage individual change

Hiatt and Creasey in their book, Change Management: the people side of change, define individual change management as the process of providing employees with necessary tools and training required to manage their personal transition through change. In their book, Change Management: the people side of change, they propose a model (ADKAR) which describes five required building blocks for change to be realized successfully on an individual level. The building blocks of ADKAR include: Awareness – of why the change is needed, Desire – to support and participate in the change, Knowledge – of how to change, Ability – to implement new skills and behaviors, Reinforcement – to sustain the change. (Hiatt and Creasey, 2003). This model can be used both as a diagnostic tool as well as a corrective tool for managing individual change. It helps to build an effective communication framework during the change process and provides focus for conversations about change.

How to couple individual change management with organization change management

Organizational change management includes processes and tools for managing the personal side of the change at an organizational level. These processes and tools have a well planned approach that can be used to successfully transition groups of individuals or the organization as a whole through change. When combined with the concept of individual change management, these tools can provide a successful framework for managing the people side of change under the umbrella of the organization. The organizational change management process, as proposed in the book by Hiatt and Creasey, Change Management: the people side of change consists of three main phases including preparing for change, managing change, and reinforcing change. (Hiatt and Creasey, 2003). Preparing for change (phase 1) includes preparing oneself and his team for managing the change and creating a high-level management strategy. Phase 2 – Managing change includes the design of the organizational change management plans and individual change management activities. This involves the planning and implementation of communication plans, coaching and training plans, sponsor roadmaps, and resistance management plans. In Phase 3 – Reinforcing change, one assesses the results of previous phases and implements corrective actions. To sum up, organizational change management includes techniques for creating a change management strategy by assessing the readiness, building awareness about the need for change through unclogged channels of communication, and engaging senior managers as change leaders to provide an effective sponsorship. In addition, it develops skills and knowledge to support the change, helps employees move through the shift providing guidance and coaching, and implementing methods to reinforce the change.

Case Study – Stripes and tar case continued (Hiatt & Creasey, 2003, pg. 73)

In the first part of this case study, we saw that the whole initiative taken by the president of the business association failed as he neglected the impact of change on people’s side.

Action and resolution

Three months after the incident, a new board of director took charge. Resurfacing and stripping of the parking area was still the first task at hand for the new board. They started the process by assessing the complexity of the task and potential resistance that can arise from the part of the business owners due to
this change. The board members felt that some business owners may resist the initiative on financial grounds. They planned a strategy for implementing this change. They started a mail campaign to make the business owners aware about the initiative (why it was necessary and what were the risks if it was not done) and also held one-on-one meetings with potentially resistant business owners. The mails also contained information about the estimates of the work and how it would save them money in the long run. The board members planned for a six week advance notification to each owner about the construction date. This was followed by a reminder two weeks before and a final notice seven days before the scheduled date. The notification also mentioned how they are going to put barricades that would be out of way in the parking area seven days before the work to remind the business owners. This strategy worked well and the project was implemented without a single complaint.

**Conclusion**

The inclusion of the business owners by the board in every step of the change and enlightening them about why the change was necessary were the key factors of success this time. The board members followed all the phases mentioned above for implementing successful change. First they assessed the potential impact of the change and created a strategy. Secondly, they made a change management plan and followed it. At the same time they managed the potential resistance that could sabotage their efforts. Finally, they communicated well with the business owners about the process and were also successful in keeping the information about the work current in their heads.

**Leadership Transition**

From countries to corporations to committees, the transition from one leader to the next is as sensitive and risky for an organization as it is inevitable. Since the time of Ancient Greece, political philosophers have mused and mulled over the question of how to ensure continuity and stability from one leader to the next. In more recent times, business journals have pondered the trends and tendencies of transitioning CEOs. While the transitions of presidents and CEOs garner the most attention, these issues apply analogously not only to all C-rank officers but to leaders within any organization.

The challenges of executing a smooth leadership transition can be divided into four stages: (1) Planning and grooming, (2) Selection of a candidate, (3) Preparation for the change, and (4) Transition. The first stage begins with the fundamental decision to prepare for the inevitability of leadership transition, coupled with a strategy for grooming internal candidates for leadership while also tracking external candidates. Once the gears of an actual transition are set in motion, the second stage is to select from the candidate pool based on a variety of relevant factors, and then to prepare for a smooth handoff with the current leader. Finally, the leader leaves, the new candidate takes their place, and steps should be taken to ensure leadership is transferred smoothly.

**Planning and grooming**

Even before this first stage, there lies a step which should be obvious, but which many organizations fail to choose. That choice is to prepare for transitions at all. Such negligence is exceedingly common even in the business world (Charan, 2005). This self-inflicted handicap leads to mismatched CEO selection, which in turn reduces the effectiveness of an organization and penalizes stakeholders (Grusky, 1963). Despite the seemingly obvious nature of this step, many corporations fail to take any action until the
departure of a current leader is announced. This strange denial is disproportionate to the significance of a departing leader. If a strategy exists for considering potential successors from within the company, it usually involves some form of deliberate fostering of talent. At the least this is an informal awareness of potential successors. At its most developed, such a plan may involve annual reviews of internal leadership potential and ongoing parallel assessments of multiple executive candidates (Charan, 2005). And yet a comprehensive and multi-faceted candidate-fostering and -evaluating strategy is as challenging to implement as it may be impressive to see. Most companies simply lack an appropriate talent pool within their ranks, much less a program to groom promising leaders from it (Charan, 2005).

Selection
Even provided that an organization is attempting to foresee what is needed for each stage, and that it has groomed and studied its pool of candidates, the choice of a candidate is no simple matter. Many factors go into the selection of a successor, starting with the background of the candidates themselves and encompassing the organizational context of the entire leadership transition. Each category of candidate has advantages and disadvantages. Internal candidates tend to be more familiar with a company's direction and in tune with its philosophy, while on the other hand an outside candidate can bring fresh perspectives (Friel & Duboff, 2009). Internal candidates are well-connected within the company but can be harder to examine for political reasons, while external candidates are conversely difficult to evaluate (Charan, 2005). External candidates are more likely to meet with quicker failure than internal candidates, yet insider candidates who are not chosen for CEO posts almost invariably leave the company of their own accord (Carey et al., 2009). Changing economic conditions may render obsolete an insider groomed to take over, yet an outsider with the perfect skill set will be more expensive to bring in (Charan, 2005). Even shareholder reactions are, while somewhat predictable, hardly straightforward, depending on the process and alternative choices between internal and external candidates (Shen et al., 2003).

In addition to candidate considerations, there is also the question of the direction of the company. Different sorts of candidates will be suitable depending on the nature of the transition. Is the CEO retiring after a successful tenure, whose vision and policies should be preserved? Or is this a transition initiated to drastically change the organization's direction in order to save it (Watkins, 2009)? Each situation entails a very different rubric for selection. Another problem with internal selection, in addition to the rarity of grooming processes, is a sheer lack of appropriate talent. Here, broader social causes and gender issues may even come into play (McGrath, 2008).

Preparation
Once a candidate has been selected, preparing them is arguably the simplest step in the succession process. A psychological reluctance often manifests between transitioning leaders, however, akin to a company's odd resistance to the initial planning stage. Despite the obvious knowledge and experience of an outgoing CEO, many are reluctant to confer with their successor (Austin & Gilmore, 1993). Whether a smooth handoff should even be attempted can be dubious. The outgoing CEO is faced with “the dilemma of grooming or damning an internal candidate” for their position (Austin & Gilmore, 1993). While issues of pride and insecurity may cloud an outgoing leader's judgment, it is arguably vital for any organization that such bestowing of advice and experience take place. Some even argue that it should be contractually enforced through ties to severance bonuses (Friel & Duboff, 2009).
Even alone, an outgoing CEO can do much to ensure a smooth transition. As a lame duck, they are in good position to push through unpopular but necessary projects, “dirty work” that will make things easier or their successor (Austin & Gilmore, 1993; Goldsmith, 2009).

**Transition**

The official transition of power is equally crucial to a successful succession. An outgoing leader who loiters around the office undermines the authority of the newcomer. Without a clean break, the heir cannot establish their own style and presence, and the former head cannot move on. Therefore, while communication before the handoff is vital, and the old leader is a valuable resource to be contacted when needed, the handing off itself should be a decisively short and unambiguous occurrence (Friel & Duboff, 2009; Austin & Gilmore, 1993).

Contrasting assumptions and advice in the literature, some perspectives on succession appear to have shifted in the last two or three decades, from disconnected, go-it-alone approaches to more holistic, communication-centered attitudes. And yet the continued prevalence of large companies with “no meaningful CEO succession plan” (roughly 50% according to Charan) and still more (80%) unsatisfied with their strategies strikes me as very disquieting. For an age-old problem, I had hoped for greater overall progress and fewer raw human failings. Perhaps this sort of planning aversion can be compared to the individual tendency to avoid contemplating the mortality of ourselves or others. We know intellectually that it will come, and yet we wish to deny its inevitability and so we shunt its consideration to “do it later.” On the other hand, the strategies implemented (and maintained!) by companies such as GE and Colgate are proof that wholly successful solutions have been devised and implemented in at least some settings. Further research into the details of such attitude and strategy shifts would, I expect, prove interesting.
C. The early fields of thought in change management

1. Frederick Winslow Taylor (1856 - 1915)

“Hardly a competent workman can be found who does not devote a considerably amount of time to studying just how slowly he can work and convince his employer that he is going at a good price” - Frederick Winslow Taylor

Frederick Taylor is known as the first man to apply scientific methods to study and improve work. His original motivation was to identify and address issues of efficiency in the industrial workplace by systematically observing work processes in detail. While his initial methods of acute and constant observations of an individual’s work with a stop watch eventually led to laws banning precisely that practice, Taylors more general principles carried on to the scientific investigation of work and management.

The strength behind Taylor's concepts of management are in the ideals of his observations. Before Taylor, management was not understood, or studied as a scientific endeavor. While the methods of research and investigation have changed dramatically from what Taylor originally pioneered, he was the first to start work in scientific management, laying the path for new methods and research to come.

“Frederick W. Taylor was the first man in recorded history who deemed work deserving of systematic observation and study. On Taylor’s 'scientific management' rests, above all, the tremendous surge of affluence in the last seventy-five years which has lifted the working masses in the developed countries well above any level recorded before, even for the well-to-do. Taylor, though the Isaac Newton (or perhaps the Archimedes) of the science of work, laid only first foundations, however. Not much has been added to them since - even though he has been dead all of sixty years” - Peter Drucker

Taylor’s principles for the scientific study of work were to:

1. Replace “rule of thumb” methods by creating a science for each employees position
2. Scientifically select and then train, teach, and develop employees, rather than having them learn/train themselves.
3. Provide detailed instructions and supervision for the employee based on the process and task details as created by the first principle.
4. Divide work equally between managers and employees – managers creating the tasks through scientific management and assigning these tasks to the employees.

---

2. Kurt Lewin (1890 - 1947)

"If you want to truly understand something, try to change it." - Kurt Lewin

Kurt Lewin's work described a number of models relevant to change management. Most influential of which being his Force field analysis, which provided a framework for analyzing forces (driving and restraining) in the workplace and in social situations. These forces either contributing or hindering progress towards a particular goal. The Force field analysis can be used as a tool to assist in decision making and to examine the likelihood of a successful change based on the consideration of driving and opposing forces.

Lewin's approach to describing behavior was to observe an individual's situation holistically – understanding the context of the individual, as well as all forces acting upon them. The Field Theory described by Lewin begins with a situation as a whole – then breaks that situation into component parts, building a model to describe behavior with respect to all of the forces influencing the group or individual in the situation. To place the forces that act upon an individual in terms of their own behavior, environment, and all other contributing factors is one of Lewin's great contributions to change management, influencing later research in the field.

Kurt Lewin's field theory is summarized in the following three points:

1. "Behaviour is a function of the field that exists at the time the behaviour occurs, Analysis begins with the situation as a whole from which are differentiated the component parts, and The concrete person in a concrete situation can represented mathematically."

By observing the forces opposing a particular change, Lewin's tool also allowed a pathway for managers to develop a plan to facilitate change by addressing these forces. For instance, if fear of technology is identified a force opposing the institution, training can be implemented to negate that force. Lewin also introduced the concept if unfreeze-change-refreeze with regards to change in an organization. This method describes the process of successful change in three stages:

1. **Unfreeze** – Prepare the organization for change, or identify areas of hurt in the organization where change can begin, and spread from. This stage involves identifying the desire for change, capitalizing upon it and building the momentum necessary to carry through with the next stage. This is where the problem is made clear to the organization.
2. **Change** – the change is made. This is where the solution is presented that will address the problem that has been outlined in the unfreezing stage. The problem is addressed and the change is made.
3. **Refreeze** – Make the change stick. If employees learned new skills, then find methods to get them to use those skills and pass them on. Modify standard operating procedures, process documentations, workplace rules if necessary. In this step it is key to ensure that the initial problem will not come up again.

---

Figure: Lewin's Force Field Analysis
3. **Kübler-Ross model (Elisabeth Kübler-Ross) - 1969**

Elisabeth Kübler-Ross (1926-2004) was a Swiss born medical psychiatrist who pioneered in developing methods in the support and counseling of personal trauma, grief and grieving within the domain of thanatology. In her book “On Death and Dying” she introduced the five stages of grief a person experiences when dealing with grave personal trauma. These five stages became known as the Kübler-Ross model.

- Denial
- Anger
- Bargaining
- Depression
- Acceptance

Management, and change management can be understood as a social science, and in many models describing the psychological process an individual goes through to deal with change provides insight into problems and opportunities that might arise when implementing change or transformation in an organization. In the event of a tragic event in a business – whether it is layoffs, redistribution of responsibilities, or re-assignments of roles– this model can assist in understanding the situation. Everyone might deal with a problem differently; the Kübler-Ross model provides a basis for understanding these reactions in a broad respect.

While it is not always clear how a change in a community or an organization might incite these reactions, the model does provide some insight into how subjects of change may react. Understanding the change and the emotional states of the subjects of that change can assist in facilitating change and ensuring its acceptance and support.

In terms of business or organizational change the model can be perceived as less applicable because of the different context in which it was developed. It can be argued that this model, or any model, needs to be used in a similar context to the one in which it was first identified or developed for maximum effectiveness (Morrison, 2008). Managers are free to create their own adaptation of the Kübler-Ross model that is more recognizable within their organizational context. The following is an example which resembles the original Kübler-Ross model but only consists of four stages.

- Denial
- Resistance
- Exploration
- Acceptance or Commitment

4. **Formula for change - D x V x F > R** - 1969

The formula for change (created by Richard Beckhard and David Gleicher) describes a model to describe the factors involved that contribute to the relative success of a change initiative in an organization. The

---

20 Kübler-Ross. (1969) Elisabeth On Death and Dying, Scribner (Division of Simon and Schuster)
The formula “D x V x F > R” is broken down as:

- **D** = Dissatisfaction with how things are now;
- **V** = Vision of what is possible;
- **F** = First, concrete steps that can be taken towards the vision. If the product of these three factors is greater than
- **R** = Resistance

This formula largely serves to identify problem areas or negative forces when instigating change. It relates back to the Lewin model, expressing the context for change as a factor of its environment, providing a simple basis for modeling a change and making a decision based on supporting and limiting factors.

The strength of this model is the simplicity in which it illustrates the conditions for change. When creating a vision and strategy for the implementation of change, or conducting a feasibility study to determine if the change is even possible or reasonable, the “formula for change” will provide some basis to work with. It influences an individual to identify the forces acting on the change, as well as to plug a concise vision of what is possible into the equation.

As this model focuses primarily on feasibility, it lacks a robust consideration of how to conduct the process of transformation in an organization. Thus, if used, it should be used to support or supplement a more complete model of change.

5. **ADKAR**

ADKAR is a multi-faceted model developed by Prosci to aid in change management. The model assists in identifying forces opposing change, supporting those needed to participate in the change, and developing a plan to implement and sustain the change after it has been carried out. ADKAR is an acronym for the model, which is broken down as:

- **Awareness** – of why the change is needed
- **Desire** – to support and participate in the change
- **Knowledge** – of how to change
- **Ability** – to implement new skills and behaviors
- **Reinforcement** – to sustain the change

---

22 Hiatt, Jeffrey (2006). *ADKAR: a Model for Change in Businesses, Government and our Community.* Loveland, CO: Prosci Research
ADKAR provides another full-spectrum model that describes the process of change similarly to Lewin’s freeze model, or the 8 step process outlined by Kotter. The ADKAR model addresses the issue of urgency – why the change is needed. The “Awareness” step describes the process of identifying the need, and coupled with the “Desire” element, creating the urgency or the perceived need for change to provide the energy needed to carry the change to completion and reinforcement. “Knowledge” is essentially the step where the vision and strategy is created, and a path is chosen for how the change will be implemented. Next, “Ability” involves putting the right people in the right place to influence the change, removing barriers to the change and maintaining versatility throughout the process. Finally, the “Reinforcement” stage is where the change must be made to stick through whatever means. Often this involves rewarding those who support change, teaching the change to any new hires, implementing the change into existing processes as well as day to day work.

The ADKAR model provides a robust model for change management – identifying the major steps for the path to transformation. It is generalized, and leaves more room for interpretation than some similar models.

6. **John Paul Kotter (Leading change) 1947-Present**

As one of the modern authorities on change management and leadership, John Paul Kotter has authored a

---

number of books and developed popular strategies for the field. Kotter is currently a professor at the Harvard business school, and maintains a steady record of publications.

The work Kotter is best known for is his 8 step process for instituting change within an organization, a model that a number of his books describe and support – though often in different ways and from different perspectives. The strength of the model is that it breaks down the process of change and transformation in a business into the most crucial elements, clarifying the process greatly. The books authored by Kotter act to supplement the 8 step process by explaining the theory behind the process, putting the process in context, and providing examples of the theories in use.24 The Kotter model is still one of the primary foundations for change management theory. The model is further explained in chapter 3 which focuses on current models of change management.

D. The convergence of said fields of thoughts

Each model and field of thought is related in several ways. Most of these methods come from the scientific study of work and management, a practice originally pioneered by Frederick Taylor. Beyond that, methods introduced by Lewin identify the importance of identifying areas where the need for change is palpable by employees. This allows for employees to identify with a need for change – similar to establishing a greater urgency in Kotter’s 8 steps, the awareness and desire stages of ADKAR, as well as the dissatisfaction and vision stages of the “formula for change”. Parallels between these models (and several others) in change management and leadership theory are described in a summary of classic theories book by J.S. Ott.

Planning and execution of the change is a theme consistent with the “change” step of Lewin’s model, steps 2-7 of John Kotter’s model, and knowledge/ability facets of ADKAR. Finally, consolidation of the change is the last step of the Lewin model, the Kotter model, as well as ADKAR.

While there are clear similarities among a number of the models, each one serves to identify the problems and address the solution in slightly different ways. For the models where the similarities do not exist procedurally, such as the Kubler-Ross model, it can be shown that these models fit into the change management process differently. The Kubler-Ross model is a framework for understanding the process of a subject accepting change, and is a tool for better understanding, and better planning for certain types of change and how it might be received.

The convergence of these models represents the improved understanding of change management. Beginning with Taylor, who first started scientifically observing management and the metrics of work, to modern models such as Kotter’s 8-step process. Through time the models have progressed from broad to more concise, and the convergence of the fields represent the isolation and combination of the key ideas from each model being isolated, studied, expanded upon and focused into new models, approaches and examples.

Table - Pros and cons of the earlier (historical) models of change management

<table>
<thead>
<tr>
<th>Authors</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frederick Winslow Taylor (1856 - 1915)</td>
<td>1. One of the first formal divisions between workers and managers. 2. Contribution to efficient production methods, leading to major global increase of living standards. 3. Focus on the individual task and worker level. 4. Direct reward mechanisms</td>
<td>1. Taylorism can easily be abused to exploit human beings. Conflicts with labor unions. 2. Not useful to deal with groups or teams. 3. Leaves no room for individual preferences or initiative. 4. Overemphasis on</td>
</tr>
</tbody>
</table>

---

| **Kurt Lewin (1890 - 1947)** | The 3-part change model is applicable in a variety of settings and should be viewed as a technique for examining a particular planned situations within a company. Field theory has had a resurgence in complexity theory. (Burnes, 2004, p.311-312) | Because of the simplistic assumptions surrounding the model, and the “shock” which arises from transition states (Dressler, 2007, p.316-317), it should be used to examine punctuated change rather than as a full tool for implementation. |
| **Kübler-Ross model (Elisabeth Kübler-Ross) - 1969** | 1. It gets an insightful understanding of circumstance change and people’s psychological reaction to it.  
2. It applies psychology model in the business environment, it provides a context for the human response to change management over time.  
3. It gives suggestions to overcome the psychological barriers happened in change management. | 1. It is grounded within clinical environment, however, little research has been undertaken in the business change management environment.  
2. It focus on grief, while this is great for doctors and councilors, it is not helpful in business.  
3. It might lead to subjective understanding.  
4. Managers might not know how to use psychology methods. |
<p>| <strong>Formula for change - D x V x F &gt; R26 - 1969 (Richard)</strong> | 1. The simplicity of this model is a strong point. It is a very good indicator to proceed or not proceed with change. | The model focuses only on negative forces and lacks consideration of how to conduct change. |</p>
<table>
<thead>
<tr>
<th>Beckhard and David Gleicher</th>
<th>2. It is helpful in identifying what needs to happen in order to get a change process of the ground.</th>
</tr>
</thead>
</table>
| ADKAR (Prosci)              | 1. The ADKAR model is an excellent model for *Individual Change Management*. The model shows the phases that individuals go through in any kind of change - personal or professional. The model is an outstanding framework for business management of large projects, and can be used to diagnose failure, develop corrective actions and facilitate communication between key managers and employees.  
2. As a manager, you can use this model to identify gaps in your change management process and to provide effective coaching for your employees. The ADKAR model can be used to:  
  - diagnose employee resistance to change  
  - help employees transition through the change process  
  - create a successful action plan for personal and professional advancement during change  
  - develop a change management plan for your employees |
| John Paul Kotter (Leading change) 1947-Present | 1. Framework of Kotter's model is useful for orienting action around the change process and anticipating and troubleshooting potential problem areas - and perhaps that is the best outcome we can ask for from a Change Management tool.  
2. This model breaks down the process of change and transformation in a business into the most crucial elements, |
|                                           | 1. While the model is long on the "what" of leading change, it is short on the "how. It elaborates what needs to be done but it doesn't explain specifically how to go about doing it.  
2. A second concern lies with the listing of 8 stages. Do these stages always need occur in every change effort? Do they always need to occur in the same order? It is by no means clear that this should be
clarifying the process greatly. so.

3. The Model is focused on the organizational activities initiated to bring about change. It sits, so to speak, at the mountain-top, and does not descend into the valleys to describe in a detailed manner the process of helping individuals work through the psychological process of change, moving them from possible resistance through to active commitment.
E. Industry examples

1. Military & Government

The organizations in the private sector and the organizations in the public sector are similar in a way that both run to accomplish a worthy goal, both have good leaders, both have well designed process. But still each organization type has different purposes, different cultures, and they differ in the situation within which they operate. To make the change in the public organization like government or military, the one has to go through and solve various problems.

Frank Ostroff has identified five principles from the examples of successful transformation of government organizations. We will talk about the five principles with the help of these three organizations. Those three organizations are:

i. Occupational Safety and Health Administration (OSHA). This example shows how OSHA has successfully changes its mission statement that each employee agrees on and believes in. We can see their current mission statement on their web site http://www.osha.gov/as/opa/missionposter.html

ii. Government Accountability Office (GAO)

iii. Special Operations Forces (SOF)

Principle 1: Improve performance against agency mission

Public sector organizations do not run for making money for their shareholders but their goal is to increase public welfare. Their mission is very important for them and should be important for the employees who work in the public organization. It is really important for any organization that the employees do believe in its mission. Occupational Safety and Health Administration (OSHA) work for its mission “to protect the safety and health of American workers”. But after a while employees and leaders start forgetting about the mission and their goal. Same thing happened with OSHA. OSHA started measuring success by number of inspections conducted and fines imposed. Even though measuring the fines is important sometimes, but it’s not the only way to effectively advance their mission. OSHA’s leaders realized that the change is needed in how the everyday’s activity forward towards the mission. Transformation efforts started with the mission as a focal point. OSHA started pushing employees to rediscover the underline purpose of the organization and then encouraged innovative thinking about thinking beyond the original purpose. The fundamental objective of this transformation effort is to improve performance against agency mission.

Principle 2: Win Over Stakeholders

In general, all the stakeholders fall into two major groups: internal and external. Internal stakeholders are the employees of an organization. In public sector, employees tend to stay for a longer period of time in a single organization and time span of the leader is much shorter than any of the employees. So employees have experienced the different leaders and their change efforts. A good leader should take advantage of this. The possible disadvantage of experienced employees is that they may tend to go against the change proposed by new leader. The reason may be that they had a bad previous
experience of change initiative. In any case, leader should make sure that all the employees should see the need for change and support the change initiative. When Government Accountability Office (GAO) went through the transformation, the leader wanted that each employee should get accustomed with the new procedures. The leader of the change initiatives tried to focus on incentives given to the employees. Previously, in GAO, the pay increment was dependant on the time period for the employment, job classification etc. and not dependant on performance. But this reward system has changed to reward on performance. Employees are rewarded based on their expertise, leadership quality and such performance based measures.

**Principle 3: Create a road map**

It is really important to see a transformation process as a step by step process. This process has three phases-identify performance objectives, set priorities, and roll out the program

*Identify performance objectives*: Every change management effort stats at the top level organizational hierarchy but it needs to expand so that broad cross section of employees can take part in the change process and support. It is very important to define the mission. In the example of GAO, David Walker, GAO’s leader, started the process by talking with Congress as well as agency’s two internal groups. One group was a group of managing directors and one was a group of employee representatives. GAO leader discussed with all of them about what needs to be done so that they can give their views and also ask questions. After this, a team for managing change is built. The team is composed of individuals with the capabilities like- individuals highly respected by others in the agency, individual that strongly supports for the change, each individual should represent the various areas which will get affected by the change. Then the change team can hold workshops to get recommendations for improving performance of the agency. In OSHA’s case, workshops were conducted to develop a model for high performance field office. A facilitator at the workshop first stated the current process to the workshop attendees. Then facilitator asked the questions like “Does the process have any redundant steps?” “Are there handoffs that should be eliminated?” “Are there steps that should be added?” “Which ones should be automated?” For every step in the current process, the workshop participants came up with the suggestions for improvement. At the end of this workshop, there were around 150 ideas on the board.

*Set priorities*: Once all the suggestions are on the table, the next step is to decide which suggestions to incorporate in the action plan and in what sequence. One recommendation given by Frank Ostroff is to construct 2x2 matrix like shown below.

<table>
<thead>
<tr>
<th>Low Performance</th>
<th>High Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Difficulty</td>
<td>High Difficulty</td>
</tr>
</tbody>
</table>

![Figure: Performance VS. Difficulty Matrix](image-url)
In the above figure, we have Performance on the X-axis and difficulty on the Y-axis. After putting each recommendation in one of these buckets, it is really easy to say that the recommendations that we should consider fall into the bucket of high performance low difficulty. But some times it happens that the initiative has such a big impact so that even though the difficulty level is high, it is recommended that we should consider that suggestion. In the example of OSHA, they used similar metrics to identify which ideas to implement first. In this exercise, they found that they needed to spend on five weeks worth of training to staff to implement the process redesign. Everybody agreed on the fact that the cost of training is justified as the initiative will have significant impact on the performance.

Roll out the program: It is really important for the agencies to identify the places to start the change program. In OSHA’s example, the offices at Parsippany and Atlanta East were the ones that were very receptive to change so these offices became the first pilot offices. The staff members of these offices became virtual members of the change team, making sure whether the ideas put through in the workshop were practically possible and well suited in the field. Training plan was developed. The people from the change team were available to answer any questions, provide guidance, and to note down what worked will and what did not. After success of the pilot phase, the change implementation was extended to incorporate more offices. Each office going through a change had one observer who was observing the process as it went through the change process. The observer, along with the representative from change team, made sure that the there was no problem implementing the change. Rollout to all of OSHA’s field office took three years. In the mean time, there was a change in the OSHA’s leadership which was not surprising as it’s a government agency. But because this change initiative had already made a huge impact on the employees, OSHA did not change its track as it was happening before change initiative, and were able to succeed achieving the goal of improving performance against its mission.

Principle 4: Take a comprehensive approach

To be successful in redesigning the organization, the various factors must be taken in to consideration. Some of those factors include leadership, structure, processes, infrastructure (including technology), people, and management. (need to give an example)

Principle 5: Be a leader, not a Bureaucrat

There are two qualities of public sector leaders that make the change difficult. First is it is in the nature of bureaucrats to respect barriers to change. Good leaders do not always knock down the barriers but they try to find the ways around it. SOF’s general gives an example how they worked around the barriers to get the equipments needed. SOF needed a speed boat. But it generally takes 10 to 15 years to actually get the equipment in a traditional way in the military. SOF used innovative approach. They gave a chance to industry vendors to build three prototypes. Then after very through evaluation, they selected one prototype. This whole process took 37 months as compared to 10 to 15 years by traditional approach.

The other problem is that leaders in public sector think that their efforts of improving performance against company mission will be questionable. In this case, leaders must convince the stakeholders about their sincerity. If the stakeholders, in this case employees, are convinced that the leader is committed to the work, employees are going to listen to the leader.
2. **Healthcare**

Unlike government industry, healthcare is similar to the other private sector organizations when it comes to managing change.

**Case Study:**

This case study is extracted from *“San Antonio Military Medical Center Integration: A Case Study in Organizational Leadership Design”* by De Lorenzo, Robert A

**Abstract**

The Department of Defense’s (DoD) Base Realignment and Closure (BRAC) Commission law of 2005 established a combined Army-Air Force medical center in San Antonio, Texas. The new facility is named as the San Antonio Military Medical Center. This planned integration of two facilities would result in the downsizing of Wilford Hall Medical Center (WHMC) to a clinic and expansion of the Brooke Army Medical Center (BAMC) to include all healthcare facilities. As part of the integration, the emergency services of both hospitals would merge under single leadership. As part of this case study, we will examine the design of proposed future organization. We will also identify and explore the solutions for the potential barriers to this change. (De Lorenzo, Robert A, 2008)

**BRAC Background**

BRAC is a federal law passed by Congress. The aim of this law is to downsize the military in the post-cold war era. The one feature of the BRAC is to create 6 medical research centers of excellence which resides in different geographic locations under one roof. Another feature of BRAC is to create two major centers for graduate medical education, the Walter Reed National Military Medical Center in Bethesda, MD and the San Antonio Military Medical Center (SAMMC) in San Antonio, Texas. To establish these two centers, the current Walter Reed Army Medical Center campus in Washington, DC will close and Wilford Hall Medical Center located in San Antonio will downsize to a clinic.

**WHMC and BAMC Background**

WHMC and BAMC are the two facilities merging into a single big facility. These two medical centers are just 16 miles apart from each other. So they have competed with each other for their patients as well as worked together on different programs for a good cause. Previously, these two organizations tried to merge managerial functions under single roof of Joint Military Medical Command. But they failed in that merger and they went back to military service-specific lines of reporting. For designing the future merger of the two facilities, it is really important to analyze existing hierarchical structure between the two organizations. The important observation from the analysis of these two organizations is that both medical centers have very different leadership, they maintain separate budgets, and sharing only takes place when the overall mission coincides with each other or only if they got orders from the higher authority to do so. WHMC and BAMC have very different organizational models. The effect of this difference is apparent when we see the departments of emergency medicine of both organizations. AT BAMC, the past leaders
of emergency medicine have been physician specialists in that field. But at WHMC, the situation was variable. The past few leaders have been without any relevant experience to the emergency medicine.

**Question:** Given the background of the two organizations, what do you think are the challenges in merging the two organizations and how will you solve the problem?

**Challenges**

Even though the BRAC law ordered integration of the two facilities, it did not give any additional points about how to go about doing it. Specifically, there should be one organization which will be the lead institution. There is no single chief executive officer (CEO) identified. As both organization have different line of authority, conflicts will defiantly arise through the integration process. The integration of two organizations into a single organization means reduced overhead and streamline organizational chart. So this merger was interpreted by some employees as downsizing and loss of their jobs. It is known that at least few people are going to loose their jobs, especially, the key leaders.

**Solution**

After identifying the challenges, the leaders tried to apply best practices to make the change successful. The principals in the BAMC and WHMC emergency departments were given the opportunity to decide how their organization after merger will look like. There were three major points that were taken into consideration while proposing the design. (a) Unified product-line leadership under a single, academically oriented emergency physician, (b) subsections divided along key functional lines, and (c) subsection leadership shared between Army and Air Force (accomplished through alternating chief and deputy assignments). (De Lorenzo, Robert A, 2008)

**Lessons learned**

This case is still under progress and should me done with the complete merger by 2011. The following are the lessons learned from the process till now.

*Clarity of Vision:* Although BRAC law outlines the vision in a broad way, it had left the details to DoD and military services. It is important to have a clear vision to have a successful transformation or a merger.

*Change Management:* The merger of the two organization having different organizational cultures and separate values is not new to SAMMC. The large health care managers were attempted to merge the organizations and their lessons learned apply to this merger as well. Greenberg's work on barriers to change provides some useful insight. Four of his five top barriers are apparent in this case: (a) structural inertia, (b) group inertia, (c) Maslow's hierarchy of needs, and (d) previous failures. (De Lorenzo, Robert A, 2008)
Unity of Effort: The far reached solution of this merger is unified medical command. This proposal will make sure that all medical operations are under single control command. One positive effect of this merger is the increased awareness of the military specific services.
F. Lessons learned from change management implementation

The following lessons learned are drawn from the implementation of organizational change in few New Zealand public sector organizations. (Strang, Gleisner, Howlett, Loth, 2004). But these are very generic lessons that can be applied to all of the change management projects that are undertaken. Even though the following lessons learned are drawn from public sector change, these also apply to private sector.

1. Analyze the context of change

The objectives of the change exercise, expectations of people related to change and the environment in which the change is taking place determine the options for approaching change. The key points include:

- Nature of the change, e.g. restructuring or merger
- Establish a sense of urgency for change
- Need for financial savings and productivity increase
- Timeline
- External constraints, e.g. political demands
- History of change within the organization

2. Tackle people issues

People-related issues during a change process are the most important. The change leader needs to understand reactions to change and deal with staff concerns directly. The key points include:

- Put the organization’s interest to high priority than individuals, but people are important too
- Understand people’s attitudes to change
- Deal with resistance
- Get senior management buy-in so consistent messages go out to staff
- If organizations are being merged, form a team having varied background of people and use neutral staff as facilitators
- Involve staff in structural changes to build-in ownership of the outcome
- Reassure staff who are not affected to alleviate their personal concerns so that productivity is not impacted

3. Maintain open lines of communication

Build staff buy-in and minimize resistance to change by keeping people informed about the change. Key points include:

- Take responsibility and act with honesty and integrity to establish trust
- Communicate all stages of the change process directly, openly, transparently and establish open channels for a feedback
- Alter messages to suit the audience

4. Set a clear vision for people to follow
Give employees a clear explanation of what the change is seeking to achieve so that they can understand it, own it and make the necessary adjustments to contribute to it. The key points include:

- Repeatedly explain the organization’s new vision to gain buy-in
- Communicate the vision in ways staff can relate to i.e. in their own words and in their own context. Real-life stories can be useful sometime.
- Build ownership of the vision by encouraging staff to contribute to its implementation

5. Recognize cultural issues

Understand how cultural issues can interrupt the change process and deal with them, especially in merger situations. The key points include:

- Recognize different outlooks, cultures and operational focuses and do not favor one over the other
- Take the best of the old world, but create something new
- Acknowledge the past and do not make judgments about it
- Do not deal with iconic issues first – let emotions settle before setting new standards
- Accepting diversity is useful in some cases like in the bigger organizations
- In the merger situations, encourage people to work in teams with individuals from both sides to develop a joint approach

6. Manage stakeholder relationships

Successful external relationship is a key to the new organization’s success and has to be actively managed. Key points include:

- Identify key stakeholders, then actively and systematically manage the relationships with them; ask senior management to do the same at their level
- Establish transparency and accountability principles and stick to them consistently
- Manage public perception i.e. own the organization’s mistakes, but stand up for it when it is unfairly attacked
- Anticipate risks attached to public attacks by having response processes in place
- Communicate publicly about the organization’s achievements and successes

7. Maintain the momentum of change

External demands can be useful to reinforce the need for change and create urgency. Once momentum is gained, finding ways to continue to move forward and avoid retreating to past behaviors can be challenging. The key points include:

- Progressive change is preferable to “big-bang” restructurings because it minimizes risks of disruption and early errors of judgment
- Piloting change is a useful way to test it before full implementation
- External pressures can be useful for creating urgency
- Link internal performance to external benchmarks to raise delivery expectations and keep staff challenged and motivated
- Provide positive feedback when progress is made so that the goal gets closer
- Empower staff to make them responsible for their future
G. Chapter Summary

This chapter gives information about the history of change management.

Section B focuses on three key areas - technology/engineering, organization and personal side of change management. To evolve and implement a productive change, all the three aspects should be considered. Otherwise, if one of them is neglected, the whole change process can be jeopardized. The section discusses various issues and problems of managing change of these areas through case studies and offers the guiding principles that are essential for managing respective changes. These principles and theories are vital for understanding both why and how to use change management with situational awareness and necessary modifications based on the specific change and the particular organization that is being changed.

Section C is a summary of the major contributions to the field of change management. Models and theories by Frederick Winslow Taylor, Kurt Lewin, Elisabeth Kübler-Ross, John Kotter, etc. are explored and described in brief detail. When relevant, the strengths and weaknesses of each model are described, as well as their relationship with similar models.

Section D explores the parallels between the models from Section C to better understand the convergence of these various theories of thought. While each model and set of observations regarding change management has differences, many represent a common thread of ideas. The convergence of these fields of thought seems to represent iterative progression towards a common, more generalizable method of modeling change in an organization.

Section E and F talk about the applications of the change management in various organizations. We talked about how the change should be managed in the public sector organizations using few examples in the public sector. We also summarized lessons learned from the implementation of organizational change in the public sector organizations in New Zealand. These lessons learned are very important to keep in mind while implementing any type of change in the organization.
References


Hiatt, Jeffrey (2006). ADKAR: a Model for Change in Businesses, Government and our Community. Loveland, CO: Prosci Research

Kubler-Ross. (1969) Elsabeth On Death and Dying, Scribner (Division of Simon and Schuster)


Strang, Gleisner, Howlett, Loth. (2004). Lessons Learned from Leading Organizational Change:


Chapter 3: Contemporary Models of Change Management
Authors: Al Youngblood, Douglas Kuzenski, Nicholaus Malone, Nicholas Sweers, Yu-Chih Liu, Saul Aguilar

Chapter Objectives
After reading this chapter, you should have a firm understanding of the following:
1. The current models used in Change Management.
2. The strengths and weaknesses of the various approaches and when to use them.
3. The ideas behind the concept of Organizational Development
4. How to apply Change Management strategies to specific business situations.

Introduction
Though a young field, Change Management has a varied landscape of opinions for the best approach on how to maximize chances for success. Now that we know the history of Change Management and some of the basic principles behind it, it is time to learn about the models of Change Management being used today. Beginning with the work of John Kotter and continuing through the Socio-Technical Systems model, the Iceberg model, and the 7-S model theories of Change Management, this chapter will introduce you to the current models and theories being used in Change Management.

While other approaches to Change Management exist, each of the models presented here demonstrates the fundamental principles of how planned change can be executed in real-world organizations. One of the common threads throughout the models is the necessity for understanding the context and environment of the planned change, especially the people and culture of the affected organization.

Models of Change Management

Kotter Approach

What is it?
While the previous approaches established a solid groundwork of techniques an organization
can utilize to instigate successful change, one question still remains: if two businesses make the same change at the same time, what might cause one to fail and the other to succeed? According to author John Kotter, the answer may lie in the difficulty of changing the behavior of people in an organization.

Kotter originally established his basic tenants of change management in an article published in the Harvard Business Review. He has since fleshed out his theories in subsequent books. In his book *Leading Change*, Kotter explains the fundamental steps for creating change, and in *The Heart of Change*, he describes how people can overcome the challenges of each step.

In order to overcome the difficulty of changing people’s behavior, Kotter emphasizes the guiding principle of: See-Feel-Change. Rather than using charts and graphs to persuade members of an organization that change is needed, Kotter proposes personal reflection for determining change strategy. This approach allows people to see, or visualize, “the problems, solutions, or progress in solving complacency, strategy, empowerment, or other key problems within the eight steps.” These visualizations can speak to people at an emotional level, allowing them to attain a deeper understanding of the current situation. Only then will an individual be able to adapt his or her behavior to the situation. Kotter’s model provides a way to achieve this See-Feel-Change effect on a large-scale. (Kotter, 2002, p.10).

**In Action**

The Kotter approach to Change Management is simple and intuitive by design. By building a framework for leveraging the skills and ideas of the people in the organization, and generating a feeling of the need for change in every employee, the change process will have the best chance for success. Once an individual realizes that change needs to take place, the first step is to increase urgency throughout the organization. People must know why the need is important in addition to knowing what the actual need entails. An example of this is a manager who videotaped customer statements to highlight customer dissatisfaction with their product, which was then played during a meeting (Kotter, 2002, p.18-20). This demonstration incited an emotional response strong enough to energize a change effort.
Kotter’s model stresses the need for a **strong guiding team who feel passionate about the change**. This team must have the right mix of skills and diversity to achieve results, as well as the capacity for trust and teamwork. The purpose of this guiding team is to establish the vision and strategy for change. The vision should be a concise statement of where the team sees the organization in the future. The strategy outlines the process in which the organization will achieve their vision (Kotter, 2007, p.98).

In order to get as many people in the organization as possible to work towards the common vision established by the guiding team, **the vision must be communicated for buy-in**. In other words, the vision must be conveyed in as many ways as possible “to induce understanding, develop gut-level commitment, and liberate more energy from a critical mass of people” (Kotter, 2002, p.4). The vision should be communicated by both words and actions, such as demonstrating commitment to budget-cutting by stripping out the luxuries of the executive floor of the main office building (Kotter, 2002, p.92-94).

Empowering action and creating short-term wins are two concepts that are closely tied to each other. **Empowering action** means removing anything in the way of people who are trying to achieve the vision, including other people, rules, and negative mindsets. Once empowered, employees begin achieving **short-term wins** in the early stages of the change effort, such as streamlining a single paper trail in an organization as a precursor to increasing overall organizational efficiency. These short-term wins provide “credibility, resources, and momentum to the overall effort” (Kotter, 2002, p.5).

Not letting up and making change stick are two additional concepts that are also closely tied to one another. **Not letting up** refers to avoiding complacency after short-term wins. **Making change stick** refers to the effort involved in avoid slipping back into old habits. Demonstrating a commitment to change through a major signal to employees, such as remodeling an office building, promotes a sense of community that falls in line with this new vision (Kotter, 2002, p.155-157). Because change can be
fragile, as evidenced by an organization slipping back into old habits, a conscious effort must be made to firmly establish change into the organizational culture. Examples include “appropriate promotions, skillful new employee orientation, and events that engage the emotions” (Kotter, 2002, p.6)

**When to use it**

The Kotter approach to change management is best applied to situations where a small group of individuals feel a need for change, but don’t know how to communicate this need to people who have the capacity for enacting it. By using the Kotter approach, the need for change is translated into a visual, and often emotional, symbol of what the problem is and what solution is necessary. The Kotter approach is also suitable for organizations that have a clear direction in mind, but little momentum for change exists in both managers and employees. Communicating a need in terms of urgency, and speaking to individuals on a personal level, can fuel the organizational momentum required to complete the change as needed.

**When not to use it**

A less appropriate situation for using the Kotter approach would be one in which the need for change is difficult to translate into terms that are concrete and can be visualized by employees to create urgency. Some changes are necessarily strategic in nature, and often very abstract, in which case a more top-down approach to change management might be preferred. Further, the Kotter approach does not extensively cover the means and methods for implementing change. Instead, it relies on enabling managers and employees to follow a common vision, which will ideally result in the proper changes taking place. When extensive assistance is needed to formulate strategy in a detailed, technical environment, the Kotter approach falls short. Finally, when small-scale changes are needed are small-scale, reflecting an adjustment of existing strategies and visions, the Kotter approach is less effective in that it is designed for large-scale, organization-wide changes.
Engendering Organizational Change: Strengthening Organizational Effectiveness in a Retail Business

When the owner of the BeeYouTee beauty salon in Luton decided to move her shop to a new location with more parking and a larger building, she hired her brother L. Vaughn Spencer, an author and expert on change and motivation, to help facilitate the change. Before executing the change, the Spencers outlined the financial risk, sought input from employees, and consulted with a friend who had recently moved his business. They established five critical success factors.

1. Clear definition of time scale (in plenty of time for the Christmas holidays)
2. Rigorous implementation
3. Global perspective
4. Assuage emotional inventory shortfalls
5. Mitigate resistance but don’t take any nonsense from the usual suspects

Progress was monitored through weekly teleconferences. In the weeks leading up to the change, messages were targeted to the employees, customers, neighbors, suppliers, and postmen. Customers were made aware through signs and advertisements in local newspapers. Employees were made aware of the need for change by placing Post-It notes on the break room fridge and on lockers. When it came time for the move, the owners involved every employee in an implementation workshop held at a local primary school. In the end, 80 percent of employees understood the need for change and supported the move.

AT&T Wireless Blows Upgrade

On November 24, 2003 AT&T Wireless was faced with both a challenge and an opportunity. A federal appeals court had recently upheld a ruling by the Federal Communications Commission which mandated that cellular service providers must allow customers to keep their existing number after switching services. This was an opportunity to gain new subscribers, as customers would now be able to

---

27 Case from: Spencer, L.V., “This Month the Gangsta Motivator Makes the Case for Change.” Training Journal, August, 2008
take their numbers to any network. All of the major wireless providers were scrambling to comply with the new regulation and capture market share from their competitors.

At the same time AT&T was still struggling with an upgrade to their CRM system that would place all the systems and information sources their customer service representatives needed in one place. Further complicating the issue, they were trying to switch traditional TDMA customers over to the new GSM network while supporting separate systems for both types of customers. AT&T’s initial integration of the Siebel CRM system was complicated by problems interfacing with AT&T’s billing and call routing systems. In order to work, the program had to be highly. Further confusing the situation, version 7 of the Siebel system was released in 2003 while the company was already involved in preparing version 6 for the portability change. While only seven months away from the deadline the company decided to upgrade to version 7. AT&T also hired a new CIO Christopher Corrado in April, 2003 and rumors of outsource and off-shoring started to badly degrade morale in the IT department.

Ultimately, flaws in AT&T’s management and poor project planning lead to massive system failures, and they lost hundreds of thousands of potential new subscribers to competitors. The failed transition and loss of customers contributed to AT&T Wireless’ decision to eventually sell to competitor Cingular Wireless.

Socio-Technical Systems (STS) Approach

What is it?

Socio-technical systems (STS) theory relies upon a multi-disciplinary approach to work design, moving away from more formalized “rational” approaches (Thompson, Zald, and Scott, 2003, p.xviii). The rational approach disregards the social aspects of decision-making and work-life quality, both of which are hallmarks of the socio-technical agenda (Cherns, 1987, p.152). To their credit, Kurt Lewin’s
influential writings on action research and group dynamics underlie some of the basic premises of the
STS approach.

STS theory is an approach to the central problem of integrating and optimizing two separate yet
connected areas of an organization.

*Social systems* are broadly defined as the interrelated dynamic of human actors within a
particular domain of experience. This phenomenological viewpoint of social systems is preferred in
STS approaches.

*Technical systems* are broadly defined as the interrelated dynamic of objects, tools, methods,
processes, and subsystems within a particular technology domain.

For the purposes of this chapter, the terms “STS approach” and “Socio-technical theory” will be
used interchangeably, although the reader should view the former as retaining a distinct “systems” view
that looks more at the ecological considerations of socio-technical theory. In addition, Socio-technical
theory has evolved into several “flavors,” including the North American perspective, which is the primary
focus within this chapter. Two alternate approaches to Socio-technical theory, the Dutch and

**In Action**

Although there is no standing body of socio-technical principles that define the theory
completely, two main postulates should be recognized: First, before entering into a description of a socio-
technical system, one must consider the *frame of reference* used in evaluation, which is generalized from
any particular vantage point; Second, one must consider any “body of subordinate concepts and
hypothesis [that] explain the behavior of enterprises and their members.” (Emery, 1993, p.3) Fred Emery
suggests a *Nine-Step Model* to work socio-technical theory into practice:

**Step 1. Scanning the Environment (Business Intelligence):** “Make sense” out of the
components of your system, substructures, perceived problems, functional inputs and outputs,
and existent relations between components. How do they fit together?

**Step 2. Identify Unit Operations (Functional Analysis):** Identify the transformative processes
that make a product. Define the inputs and outputs.
**Step 3. Identify Variances: (Difference Analysis)** What types of deviations from standards exist or must be maintained in order to sustain production? Issues regarding quantity/quality of production, operating costs, and social costs are considered first.

**Step 4. Analyze the Social System:** Look at socio-geographic aspects, variance controls and ancillary methods for improving work performance, spatial and temporal relations (barriers between workers, departments), flexibility (how easily there is job movement, task sharing), payment system, psychological needs (how the worker fits their assigned role), identify maloperation.

**Step 5. People’s Perceptions of Their Roles:** How do they view their work? Is it satisfactory? What can be done to improve their function, role? Can an alternate design be constructed?

**Step 6. Maintenance System:** What changes should be made in order to keep production steady when changes are made to the initial design? How extensive should changes be made? How can it be controlled?

**Step 7. Supply and User Systems:** How do environmental (external) influences affect the production system? If we make design improvements, will there be external effects? How close are we tied to our objectives? Are we more constrained in production?

**Step 8. Work Environment and Development Plans:** Identify potential forces that might affect the production system’s ability to change due to external forces?

**Step 8. Proposal:** Put together an action plan and test against emergency and contingency scenarios. Summarize all the points from the previous steps.

**Complexity and the Socio-Technical System**

Functional work processes can be abstracted into subcomponents that work in coordination with one another. For instance, consider a front desk at a hotel, where answering the phone and fielding questions from guests might be broken into smaller tasks like entering call information into a log book (Piccoli and Lui, 2005, p.124). Another example is a central processing computer that allocates room assignments for the purposes of meetings, or a system that assigns priority to tickets within a queue.

With the introduction of time-sharing computer systems in the 1960s the notion that work processes could be synchronized to yield more predictable management outcomes became a motivating factor that encompassed work design. Such “decision-based systems” were popular among larger corporations where computing resources were expensive (Alder and Docherty, 1998, p. 319-320). The socio-technical system, then, can be thought of as an integration of individuals who are managed through functional processes to ensure a maximization of job satisfaction, despite the presence of
constraining technical systems.

Leavitt created the following graphical diamond to illustrate the interrelated nature of structure, technology, task, and people in order to demonstrate two dimensions of socio-technical organization (1965, p. 1144). Vertically, as people aggregate, relationships gain a sense of structure as complexity arises. Horizontally, as one single task is performed, technology is in place to counter the increased complexity. Indeed, the relationship between the complexity of processes and the work performance of the individual requires attention to all aspects of the diamond.

![Figure 1: Leavitt's Diamond](Image)

**Socio-Technical Design**

The Leavitt diamond can be extended into more concrete principles of socio-technical design. Cherns outlines major principles to consider when determining how closely an organization should follow Socio-technical system theory in its work design processes (1987, p. 155). Many of these principles are derived from the concept of “joint optimization” within social and technological domains.

When reading the principles, one should keep in mind that all are characteristic of socio-technical systems, but change as occurs at *boundary locations* where flexibility and innovation occur (Clarke,
The STS approach not only critiques current work practices, but it also leads to the development of a new type of work system (Coiera, 2007, p S102). Designing a system in the socio-technical tradition is a difficult task, but given relevant research in fields such as Human Computer Interaction, it has become more of a reality.

Table 1: Chern's Principles of Socio Technical Design

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compatibility</strong></td>
<td>Work design must be aligned with its objectives in consensus with workers.</td>
</tr>
<tr>
<td><strong>Minimal Critical Specification</strong></td>
<td>Design should not stifle creativity, limit choices, be mandatory, or promote the interests of the designer. Instead, only the essential is to be included in the design of such systems.</td>
</tr>
<tr>
<td><strong>Variance Control</strong></td>
<td>Any variances (or unexpected deviations) from an expected outcome should allow people to inspect their work and make suggestions on how to improve work quality and learn.</td>
</tr>
<tr>
<td><strong>The Multi-function Principle</strong></td>
<td>In order to adapt to their changing environments, organizations need different ways to combine elements.</td>
</tr>
<tr>
<td><strong>Boundary Location</strong></td>
<td>Boundaries around division of labor should not be drawn so as to prevent sharing of information and learning. When activity control is passed to workers, more time is spent by management foreseeing change issues.</td>
</tr>
<tr>
<td><strong>Information Flow</strong></td>
<td>More feedback from their work so workers know they are doing a good job at the time they need to know.</td>
</tr>
<tr>
<td><strong>Support Congruence</strong></td>
<td>Alignment between what the organization sees as taking care of workers and actually doing it. Reward, financial control, planning.</td>
</tr>
<tr>
<td><strong>Power and authority</strong></td>
<td>Give the managers sufficient resources, power, and authority to get the job done, and hold them accountable.</td>
</tr>
<tr>
<td><strong>Transitional Organization</strong></td>
<td>Make sure to prepare for transitioning into a new phase of the organization.</td>
</tr>
<tr>
<td><strong>Incompletion</strong></td>
<td>Remember that design is continuing “on the fly,” and that change is the norm rather than the exception. Reiterate.</td>
</tr>
</tbody>
</table>

When to Use It

The STS approach is especially suited to change situations where new technology or new
processes are being introduced to the organization. One of the strengths of the STS approach is that helps break an existing system down into its basic components and reshape it into a new system with the added components. Managers can use this model to identify the components of the existing system, examine how they will be affected the upcoming change and plan to best manage that change. Furthermore, the STS approach can help managers understand how the people involved in the current system will be effected by the change and plan to help the change as easy as possible for those effected. Managers faced with introducing a new IT system or a new business process would do well to use this approach to define their change strategy.

**When not to use it**

One major criticism of the STS approach is that the classical formulations of the approach do not address external competition or change due to external pressures (Alder and Docherty, 1998, p.319-320). Donald Schon and Chris Argyris have criticized the socio-technical approach as merely an extension of punctuated change advanced by human relationists in the 1950s. Instead, Schon and Argist's approach states that change is a conservative, "dynamic" process that adds to the learning dimensions of organizational development. Systems cannot be built without using the momentum from past systems to transition into a new state. The point is to minimize the punctuations and maximize the dynamic change, which they coined "dynamic conservatism" (Schon, 2008).

**The Long-wall Coal Mining Case**

In the early 1950s, Eric Trist and Ken Bamforth were generally credited with proposing one of the earliest formulations of socio-technical theory in their work studying the then-new “longwall method” of coal mining, which they dubbed the “conventional” method. Earlier “hand-got” methods in coal mining emphasized closer group interaction, self-selection in division of labor, and solidarity/loyalty, which was dubbed the “composite” method. When newer, mechanized long-wall techniques were introduced, production fell and absenteeism rose due to an overemphasis on shiftwork and higher precision requirements in repetitive tasks, which led to declining worker satisfaction. Trist and Bamforth
concluded the new technology ignored social group relations and was not preferable to an approach that accounted for group dynamics (Trist and Bamforth, 1951, p.17).

In light of the coal mining case, the STS approach was developed to balance social and technical systems (assuming both systems are manageable), placing equal importance on both to maximize productivity and minimize disequilibrium. The Longwall studies demonstrated that a system should contain “group badness,” but not flush out the “good” (Trist and Bamforth, 1951, p.12-13). Increased training, for instance, can be a catalyst for improved “interchangeability of tasks” within teams, enhancing the “mutual understanding” of tasks and roles among shift workers (Trist and Bamforth, 1951, p.17).

1. Can you think of another situation where introducing new technology or production methods might decrease productivity?
2. What do you think can be done reduce the negative impact of new technical systems on current social systems?

Iceberg Model of Change Management

What is it?

The Wilfried Kruger Change Management Iceberg depicts dealing with barriers in change management. Kruger believes that managers usually focus on issue management. This includes cost, quality and time, which is the tip of the iceberg and above the water’s surface. But there are two more important dimensions in change management and implementation management that are below the surface. These are the management of perceptions and beliefs, and of powers and politics management. The iceberg model also highlights the people involved in change management.
Opponents are generally negative towards change and provide the heaviest resistance in change efforts. Controlling or changing these people is achievable through effective management of role-perceptions and beliefs.

Promoters are generally positive towards change and will provide the support you need in change efforts.

Hidden Opponents are generally negative towards change and will provide resistance, but will act “positive” towards change. Identifying these people and changing their standpoint through effective management of role-perceptions and beliefs is necessary to avoid having your efforts undermined.

Potential Promoters are generally positive towards change, but are hesitant towards fully supporting the change. Reassuring these people through more support and providing evidence of the benefits of change will help make them promoters.

Moreover, this model emphasizes that issue management is very superficial in that it can only reach the acceptance level below the surface. Kruger believes true that change management comes from
both the interpersonal and behavioral dimension and the normative and cultural dimension. Furthermore, change management is exposed to politics management and to the management of perceptions and beliefs.

The McKinsey 7-S Model

What is it?

Created by Tom Peters and Robert Waterman, the McKinsey 7-S model serves as a guide for organizational change by taking a holistic approach to company organization. In addition to change, the model is also important for diagnosing and understanding an organization in terms of both rational and emotional constituents (Cellars, 2007).

Richard Pascale and Anthony Athos originally mentioned the 7-S Model in the “The Art of Japanese Management”. Pascale and Athos were investigating the ways in which Japanese industry had become so successful. Peters and Waterman further enhanced the model (together with Pascale and Athos), and it eventually resulted in a basic tool used by the global management consultancy company McKinsey (12Manage, 2007).

The 7-S model can be broken down into seven parts: structure, strategy, skills, staff, style, systems, and shared values. Each of these parts is interdependent on one another, requiring managers to take into account all seven factors for change to be successful. In other words, failing to pay attention to one of the factors can negatively affect the impact of one or more other factors. Further, the relative importance of each factor may vary over time, depending on the current socioeconomic conditions of the corporate environment (12Manage, 2007).
The seven factors in the model can be broken down as follows:

**Shared Values (or Subordinate Goals):** Located in the center of the model and interconnected with the rest of the factors, Shared Values represent the core beliefs and attitudes of the organization. Shared Values can be likened to Hamel and Prahalad’s description of Strategic Intent, which they define as “an ambitious and compelling dream that energizes; which provides the emotional and intellectual energy for the journey to the future” (12Manage, 2007). Understanding the three attributes of Strategic Intent help explain the concept more clearly. First, it provides a sense of direction, which is a view of the long-term competitive position a company hopes to build over time. Second, a sense of discovery engages employees in the exploration of new, competitive territory. Third, Strategic Intent provides a sense of destiny, which is emotional in nature and helps employees perceive themselves as inherently valuable (12Manage, 2007).

**Strategy:** Describes the general and specific plans for the allocation of resources over time to achieve goals. Resources are scarce, so strategy is important for determining where they can best be utilized.

**Structure:** Refers to the way in which organizational units relate to one another, regardless of whether the company takes an approach that is centralized, decentralized, top-down, bottom-up, etc.

**Systems:** Specifies the procedures, processes, and routines that determine how work should be accomplished. A large range of areas is covered here including financial systems, recruiting systems, promotion and performance appraisal systems, information systems, etc.

**Staff:** Refers to the number of personnel in an organization, as well as their roles and titles.
**Style:** Identifies the cultural style of the organization, and the ways in which managers behave in achieving organizational goals. Styles can differ widely, even in the same industry, as evidenced by the differences between Microsoft and Google.

**Skills:** Describes the specific capabilities and proficiency of employees, as well as the organization as a whole.

The model is used as an important tool for diagnosing ineffectiveness within organizations. In doing so, the model serves as a guide or blueprint for managers to make changes in areas that need the most improvement. Again, because the seven factors are all interrelated and parallel with one another, changes in one aspect of the organization with directly or indirectly affect the other aspects (12Manage, 2007). Managers need to be aware of this phenomenon and plan accordingly.

**Google vs. Microsoft – A Difference in Culture**

Despite the fact that Microsoft and Google are dominant players in the software development industry, each company takes a different approach to culture in the workplace. On the surface, Microsoft utilizes a traditional, hierarchical-based management structure that can be paralleled to the way most corporations are run. Google, on the other hand, is a “pioneer” of the alternative workplace, as evidenced by their open office environment, free amenities, and linear management structure. Ironically, a former employee of both Google and Microsoft noted the following: “The culture at Google is very much like the old culture at Microsoft – back when the company felt like most employees were in their mid 20’s. These kids don’t have a life yet so they spend all of their time at work” (IT Business Edge, 2007).

Google prides itself on providing everything its employees need at work – free food, on-site health care, and even free clothes. As a result, employees are expected to put in long hours, including working 20% of the time on personal projects (owned by Google, of course). The management style isn’t completely linear, but there are typically close to 100 developers reporting to a single middle manager, who then reports to a division vice president. Because of this structure, career development isn’t explicitly laid out for employees. However, the lack of a career growth plan is offset by the creative freedom offered to employees, who essentially determine their own fate within the company based on
their productive output.

In contrast, Microsoft emphasizes a career development track that allows employees to envision their current and future value. Because of its hierarchical management structure, Microsoft employees work in smaller teams with increased involvement by managers. However, workplace politics inherent in a hierarchical structure can derail product progress. Microsoft also provides each employee with an office or cubicle, which enhances privacy but curtails some of the “on-the-fly” collaboration and idea generation seen in more open environments.

Although both companies have opposing views on workplace culture, they illustrate how change management practices must be applied to the unique needs of a corporation. In that sense, one of the most important factors for organizational change is determining which model is appropriate for a particular organization.

**Determining the Right Approach to Use**

Many factors should be considered when choosing the approach to use for initiating organizational change. Choices must incorporate “the speed of the effort, the amount of preplanning, [and] the involvement of others” (Kotter & Schlesinger, 2008, p.138). A key concern when evaluating these choices is the amount of expected resistance. Resistance may stem from an individual’s self-interest, misunderstandings, a lack of trust, divergent views of the problems to be addressed, or a generally low tolerance for change (Kotter & Schlesinger, 2008, p.132-134).

A manager planning to implement change must assess how these different levels of resistance can be mitigated. For example, an education or communication program could be enacted to foster support for the intended changes. Alternatively, to cut down on the time wasted during change implementation, a transitional system could be put into place to facilitate and support employees through a change. This approach would help in adjusting to the larger change. Also, when a manager elects to maximize employee participation and involvement in the change process, feelings of resistance will typically
diminish considerably. When a group has significant power to resist a change, it may be necessary to negotiate an agreement with them, though this extra effort can be costly and time consuming in the change effort. Finally, some managers use tactics that involve manipulation, co-optation, and coercion. These approaches might be utilized in situations when speed is required for success, though the negative results from resentment can ultimately throttle a change effort (Kotter & Schlesinger, 2008, p.136).

Therefore, a manager has to choose between two types of change: a fast, clearly preplanned change, minimizing participation and overcoming any resistance; or the alternative, which stresses maximum participation with few initial plans, in an effort to avoid resistance. The type of change to be implemented is determined by any of four factors, as explained by Kotter and Schlesinger (Kotter & Schlesinger, 2008, p.138-139):

1. How much, and what kind, of resistance will be faced.
2. The amount of power and authority the resistors wield.
3. The amount of information and effort that will be needed from the members of the organization.
4. The relative importance of the change, and the speed with which it needs to be carried out.

The number of ways a change may be implemented combined with the ways in which a change effort can fail, implies that careful consideration must be made for the context of change before a particular approach can be selected. By understanding the types of change resistance that can arise in the process, managers and change agents can plan their approaches accordingly. In the process of monitoring the change implementation, managers can evaluate how effective their plans are, and adjust their approach as necessary.

**Organizational Development**

While not an actual approach to Change Management, Organizational Development is nonetheless an important topic in the creation of a high-performance organization. Furthermore,
Organizational Development is method of changing the organization in order to maximize its performance.

**What Is It?**

A growing field of practice in management has been in the area of Organization Development. *Organization Development* is “an effort planned, organization-wide [process] managed from the top to increase organization effectiveness and health through planned interventions . . . using behavioral-science knowledge” (Beckhard, 1969, p.9). Organization Development, at its core, is the process of increasing the effectiveness of an organization through planned interventions based on a combination of the research and experience of trained Organization Development professionals (Neilsen, 1984, p.2-3).

Typically, the first step in the process of Organization Development is selecting an internal change agent, or hiring an outside consultant. In addition to being trained in Organization Development techniques, the change agent must also maintain an objective outlook on the organization’s problems. By considering the goals, strategies, and unique needs of an organization on a system level, Organization Development allows practitioners to target specific areas that have the greatest potential for gains throughout the entire organization. A myriad of techniques are available to the change agent. Whether action planning, client feedback, or diversity coaching are utilized, for example, the primary goal for the change agent is to involve the members of the organization in decision-making, as well as in efforts to develop both the organization’s resources and each other.

**In Action**

At its core, Organization Development was founded on the model of Action Research. *Action Research* is an analytical approach to problem solving whereby the change agent sets in motion a process of gathering data about an organization, including its current state and where it would like to be in the future, and then uses that data to conduct a set of interventions. The basic steps in Action Research are the following:
**Diagnosis:** Various people within the organization are interviewed. The data from these interviews is collected, organized, and analyzed.

**Feedback:** When the analysis is complete, the change agent reports the findings back to the organization to give them a clearer sense of their underlying problems.

**Discussion:** The change agent acts as a facilitator for the decision-makers of the organization to determine the steps to take as a consequence of the analysis. The change agent will be well versed in the many possible choices of interventions, and guide the organization in matching the best plan with the situation.

**Action:** The leadership of the organization takes the steps decided upon.

(Burke, 1994, p.8-12)

For the Action Research process to succeed, Organization Development offers several helpful guidelines. First, **any action taken must be in response to a need perceived directly by the organization**, rather than action dictated from an outside entity or model. Second, **organization members must be directly involved in the planning and implementation of any system.** Finally, **plans must eventually lead to changes in the culture of the organization**, including the organization’s norms, values, and authority structures (Burke, 1994, p.8-12).

W. Warner Burke’s *Organization Development: A Process of Learning and Changing* is an excellent example of a typical case of Organization Development. The author was called in as an outside change agent for a large financial corporation. His task was to determine why the company had been losing money for the past four years, and find a way to reverse this process. As part of his organizational exploration, Burke sought information on the recently hired regional manager who had contracted him. Burke examined the level of support for the new manager from his employees, which included an examination of his leadership style. Through the use of one-on-one interviews, Burke also gathered data about the various strengths and weaknesses of the region, and how the management envisioned their organizational structure.

Afterwards, Burke gathered all the involved managers at an off-site location and informed them of the study's results. After fully explaining the current state of the organization, a comparison was made with the existing strategy of the firm. **This informed analysis with the involved members of the**
organization is the cornerstone of Organization Development. By discussing the retrieved data, the members of the firm decided on several interventions that could help them achieve their goals. These actions included “team building, process consultation, and a change in the region’s reward system [through the] installation of a bonus plan for managers” (Burke, 1994, p.78). Once the members of the organization carried out these actions, the culture of the firm shifted in a positive direction, and, ultimately, the firm witnessed an increase in profits.

When To Use It

As evidenced by the previous example, Organization Development can be a very useful method for positive change. The approach can be utilized in many different types of organizations, including corporations, non-profits, educational institutions, and government agencies. In general, a successful Organization Development project will incorporate the following key factors (French & Bell, 1984, p.335)

**Skillful Interventions.** Only by carefully orchestrating interventions can there be a hope for successful change.

**Systems view.** By understanding the interconnectedness of all aspects of the business, the change effort can touch the problems at a fundamental level.

**Top management support and involvement.** Without having decision-makers and company leaders backing the change, there is little hope it will succeed.

**Open and shared technology.** By freeing up resources and information, everyone has the tools needed to enact meaningful change.

**An organizational value system.** If all the workers don’t understand the need for change, or the direction the change will take them, they cannot all be expected to make correct decisions.

**A long-range perspective.** Organization Development takes time, and the rewards reaped are rarely short-term successes.

When Not To Use It

Organization Development is not ideal for every situation. Below are some of the major factors that can steer a change effort in the wrong direction (French & Bell, 1984, p.327):

**The process is very participatory.** This can be a challenge without a culture of employee participation, such as in a company with a very hierarchical organization structure.

**Organization Development requires investment and resources.** In a company with tight budgetary constraints, money invested into the people of an organization is often the first thing cut.
The focus can be too strong on the individual/social aspects of change. When an overhaul of technical and structural aspects of an organization is required, Organization Development’s concentration might be on the wrong types of problems. There is a requirement for a lot of training and knowledge. Organization Development’s need for a trained practitioner, often from outside of the organization, can be a challenge for smaller organizations or those with proprietary information.

As a practice, Organization Development was originally intended for companies from several decades ago. In the modern era, faster changes are needed in every sector. Many companies don’t have the time or resources to proceed with a long process of diagnosis, feedback, and planning to achieve long-term gains (despite the benefits from doing so). Though Organization Development practitioners have worked hard to catch up to the modern business landscape, alternative methods are usually a better option when faster change is needed.

Case: The Cambridge Clinic

The Cambridge Clinic is a prestigious medical institution with a long history. At one point however, the clinic was having serious problems with leadership, conflict resolution, and decision-making. To resolve these issues, the clinic brought in a team of organizational consultants from Cambridge University. After conducting a series of interviews with members of the institution’s staff, the medical director, and the administrator the staff and the consultants gave following issues had the highest priority.

1. Role conflicts between certain members of the medical staff were creating tensions that interfered with the necessity for cooperation in handling patients.
2. The leadership style of the medical director resulted in his putting off decisions on important operating matters. This led to confusion and sometimes to inaction on the part of the medical and administrative staffs.
3. Communication between the administrative, medical, and outreach (social worker) staffs on mutual problems tended to be avoided. Open conflicts over policies and

procedures were thus held in check, but suppressed feelings clearly had a negative influence on interpersonal and intergroup behavior.

The consultants helped the staff and the director analyze their roles and explore ways of dealing with their leadership problems. Next, the consultants designed exercises and held workshops to help staff members improve communications and conflict resolution skills. The consultants also helped the clinic develop an action plan to address the rest of the institution’s problems and returned to regularly monitor their progress. When the consultants returned six months later, the staff confirmed that communications had been greatly improved and that techniques learned at the workshops were still being used.

**Conclusion**

Every change process necessarily involves a great deal of time and commitment in an organization. By establishing a planned approach before implementing change, the chances of success can increase. Frequently, a change effort will fail if an important step is left out or given only the minimal attention needed to move on to the next stage. The apparent gains in time when going quickly through phases in any process can result in drastically damaging the chances for accomplishing an intended outcome. Because large-scale change efforts aren’t every day experiences in most organizations, a poorly thought out plan can quickly lead to mistakes during any stage, which “can have a devastating impact, slowing momentum and negating hard-won gains” (Kotter, 2007, p.97).

Drawing consensus around the right approach to use can be difficult, especially during a critical juncture in an organization’s history. This is why it is important to gather all available information to fully understand the context and intentions of a change. Though no approaches for change discussed in this chapter are ideal, it is always preferred to have some plan for action within an organization. When a change team explicitly includes such aspects as participation, analysis, vision, and communication, not only does this help maintain the pace of change, it also speaks clearly to employees that the change project is being capably and thoughtfully executed. When this perception spreads across all levels of a company, the trust and motivation for the change increases drastically, improving changes for success.
The various approaches to Change Management have evolved over several decades of experience and research. In the coming decades, as the need for effective and efficient change continues to increase, these methods and approaches will continue to improve and adapt to new situations. Even then, the fundamental elements of any change approach will be consistent: changing the habits of people and how they go about their daily work. By understanding all that has come before in this field, an organization can go beyond one-off approaches to change and instead work to create a culture of change. When change is expected and anticipated, a part of an organization’s culture, they will be able to prosper while others falter in a dynamic and demanding environment.

**Case Studies:**

**Case: Volvo’s change in the work re-structuring**

The discussion of the Born Holland case that follows highlights the process by which Volvo is engaged in the diffusion of work design changes outside of Sweden.

**General Background**

Limburg is the southern-most of the twelve provinces of the Netherlands. It is located in the southeastern part of the country and bordered by Belgium to the south and part of the west, Germany to the east, the Dutch province of North Brabant partly to the west, and the province of Gelderland to the north. Limburg used to be a mining area, but now is the city the Born Plant located.

As the result of closing down the mines, Limburg equipped the good infrastructure, such as good roads and the rail network, to attract the Born plant, a complete automobile plant, to settle here. More important, the high unemployment rate among the miners is one of the main reasons. From the start of production in 1967, the number of cars produced gradually increased from 1500 cars to 98’000 in 1973. In 1974 production dropped to 60,000 cars mainly due to the fact that unfavorable economic and market

---

developments of the company coincided with the 1973 oil crisis. At the moment the Born plant employ about 3700 people.

In spite of the expected abundance of personnel in the Limburg area, recruitment in the years before and absenteeism soon created a problem. It is important to realize that the income of the ex-miners decreased substantially especially after the financial supplements from the ECCS-funds ceased. The attraction of German industry (just a few miles away across the border) with its relatively high wages caused an enormous flow of manpower to Germany. The growth of “direct productive” personnel from 1970 had to be realized by employing Belgians and, in 1971 and 1972 by direct recruitment of personnel in Morocco and Tunisia. At present 1350 people of foreign nationality are employed. The first efforts to restructure work in the Born plant were made in 1973. By 1974 both financial and moral support was been given for the further development of the Born plant by Volvo headquarters.

**The Experimental Stage, 1973**

Motive and target: The problems in the field of work motivation which, among others, express themselves in absenteeism and labor turn-over prompted management in 1973 to make the first serious modification of the forms of work, A Steering Committee headed by the Plant Manager and also consisting of representatives from line and specialist departments (including behavioral scientists) gave a task force the following directives:

Before the end of 1973, the first results of a different way of working must be made visible, on the assembly line.

The new ways of working together would have to meet requirements concerning: the work organization, while the working conditions must be adapted or changed in a way that the personnel:

- Can work in groups,
- Can develop more initiative,
- Can identify them more with the product,
• Can experience more satisfaction in their work, and
• Can contribute in realizing changes

Work Method and Results
The task force that was formed consisted of:
• The department head
• The second line supervisor
• The superintendents of both groups,
• A representative of the works council,
• A group foreman and specialists in the re-design of work

In March 1973, after joint consultation by means of hearings with the group involved, it was decided to start with job-enlargement. No preceding agreements were made concerning the number of “posts” that eventually would be involved. The different posts were learned by successively working at various places along the line. Learning was facilitated by the use of reserve labor and by the increasing and spontaneous offer to assist each other.

Because of the ever improving communication and the growing involvement of the group to each other, the personnel and supervisory staff gradually succeeded in arriving at a more acceptable work method. Within this group, an increase in initiative and an inclination to experiment became apparent. Fundamental technological changes were not effected. Possibilities for doing this were not present. An increase was, however, affected with regard to hand tools and also improvements in the disposition of the material were made.

At the end of 1973, the majority of the personnel were working according to the job enlargement principle, varying between three and eleven “posts”. By working in longer cycling periods, longer consecutive rest periods were created for the people. Changes were also noted in the task of the foreman: he performs an active and regulating task together with the group. One sees the foreman taking
over internal regulating tasks from the supervisor. The results experienced from experiments in other factories, that this lowest group of management disappears is not the case in the Born experiment.

1974, Evaluation

Most of 1974 was spent in evaluating the experience gained in 1973. A detailed report was made including suggestions of how to introduce work re-structure activities on a larger scale. From conversations and from the fact that in other places similar activities had already spontaneously started, the efforts were justified. Many important conclusions were drawn that helped management better understand the nature of the underlying problem, such as the followings,

- Management must be prepared to recognize the responsibility of others and make available the necessary means to carry out those responsibilities
- Non-management personnel must realize that rights also implies a positive acceptance of responsibilities and duties,

In addition to dealing with intrinsic aspects of job motivation, the basic work conditions also need to be treated. If one wishes to create confidence then worker’s needs in the field of work classification, shift allowances, language problems etc. will have to be treated seriously. In brief one frequently must work emphatically on the hygienic factors, if fruitful results are to be expected from working on the so called motivators,

Supporting activities considered essential are:
- Offering training and education in both technical and social fields to both management and non-management personnel.
- Close cooperation with personnel services with regard to realizing the change processes, i.e. supporting and coaching the change process, without restricting the departments’ autonomy and responsibility for actually implementing the various skills.

1975, Progress

In January 1975, a new Steering Committee was formed. Members are all managers of line and staff departments, the department heads, and representatives of the works council and a specialist of the
Preproduction Department. The main goal was agreed upon in the following statement:

To create maximum freedom and independence for all individuals in the organization while the objectives of the company are maintained.

The following strategy was chosen:

- Establish a project organization of discussion and work groups in which all people involved can take part.
- Introduced the work re-structure—belief through this project-organization;
- Investigate the necessity and possibilities of technical changes;
- Offer training and education programs,
- Create supporting facilities

The Result

After preliminary meetings on shop superintendent level, groups were formed in all five production departments. In most groups representatives of the so-called service rendering departments are present to ensure close cooperation and involvement. Interdisciplinary project groups were formed wherever possible. The work groups spent most of 1975 establishing the new work organization. In September the department “work-study” group stated a systematic investigation in all groups into the possibilities for job-rotation and job-enlargement. Group discussed the various suggestions and made their own choice. At present approximately 150 groups are formed who meet frequently at about 5-week intervals. Group size averages 15 employees and more than 80% of the possible members take part in the meetings. The result has been a new work structure and layout of the plant.

Questions:

1. What are the topics in social-technical systems being covered in this case?
2. What are the major changes for the managers?
3. What are the major changes for the workers?
The Transformation of Gargnas Eltechnology AB

From 1989, Gargnas Eltechnology AB was a leading producer of cable couplings and electrical conduit for EU suppliers, and was based in Sweden. It saw a steady income and measurable success given that the owner had inherited the company nearly 50 years prior and was essentially running the company alone. Then, sudden market forces changed the manner in supply of input products and within a short time, the company was on the brink of bankruptcy. The owner, who had suffered a heart attack, was firm about the need to make drastic changes that would give more control to his trusted workforce. A socio-technical approach was implemented by the owner-manager in order to integrate several problems: too much centralization, high short-term absenteeism, lack of operational control on inventory/pay system, and lack of machining equipment. Most importantly, the owner-manager wanted a new direction for the company.

Several steps were taken to make changes to the company, in line with socio-technical emphasis on job functions and task analysis.

- **Division of work force into smaller units**: The owner-manager realized that many of the problems arising from his single-handed management was an overreliance upon top-down decisions which did not take into account the potential for worker input.
- **Introduction of Training Initiatives**: In order to bring workers up to speed, a new training initiative that emphasized a new company structure with communication among functional work groups was started. This increased “self-confidence” and work satisfaction.
- **Standardization of ISO 9000**: Irregular production units were standardized so that decentralized units could better manage shared work tasks.
- **The Ergonomic “Workbench”**: One group level innovation was the “work bench” that more ergonomically allowed assembly of multiple types of coupling and other components without a disturbance of work flows.
- **New Image**: The introduction of drastic measures needed to be a part of a larger processional intervention strategy that divorces the older working systems from newer retooling. Within the

---

31 This case study appears in “Bringing Business Back into Practice” in Human Relations 51, March 1998, pp.318.
company, this was important to emphasize a break from the past cultural practices of centralization, towards more collaborative work functions and overlapping responsibility. Quality would increase if workers were a part of the change process.

“Complete” Partners: Customer Teams were coupled with functional work groups to create a complete solution to clients. As orders were taken from clients, a chain of ownership that was linked back to the production group was kept, and in this way, clients were a part of design and production. Risks could be taken and shared with clients. Problems with orders and fulfillment responsibilities were more transparent. The new retooled teams were in fact “complete partners” in order, to production, to evaluation, to delivery.

Quality Control: New standardization processes for quality were integrated with worker meetings so that grievances and commentary related to work flow and production could be brought to the forefront and addressed in a timely manner.

Innovation: Workbench teams were allowed to create products that might not have been suggested by clients themselves. Some of these offerings were a closer match to order fulfillment.

As a result of these changes from 1989 to 1995, revenues for Gargnas Eltechnology AB grew from a deficit of 120 million SEK to a profit of more than 7 million SEK, and delivery precision grew to 97%. Absenteeism declined to nearly 2% and the number of employees grew ten-fold. The EU recognized the company as having the “Best Personnel Policy” for small-to-medium sized companies in 1995, and Gargnas Eltechnology AB won many leading supplier awards.

**Sony Electronics’ usage of Organizational Development to improve internal processes**


In 2002, SEL’s transition process for their U.S. organization included downsizing, a shifted organizational structure, and a move of their headquarters from the East to the West coast. An Organization Development (OD) approach was utilized in response to negative reactions such as: reduced
employee morale, lessened engagement, and the loss of critical talent.

The first step the OD practitioners took was to create the following vision for their change effort (Wirtenberg, et al, 2007, p.18):

```
“Sony Electronics will regenerate itself to be a lean high performing organization with:
A keen focus on our customers
An optimistic highly engaged workforce
An environment with opportunities for people and the company to grow”
```

The next step was to engage employees and managers directly in the form of countrywide workshops. The feedback at these workshops made it clear that the following were needed: “a concrete plan, shared vision, more detailed communications, consistency of strategy and approach, and the rationale behind changes.” These needs were directly translated into four areas for interventions: “(1) Communication; (2) Career development; (3) Clarity of Direction; and (4) Leadership sensitivity and support” (Wirtenberg, et al, 2007, p.18). The OD team was then able to find concrete interventions to act in these areas to meet the needs expressed in the workshops. For example, to increase leadership sensitivity and support, they brought in an outside firm to deliver a session to teach their leaders to be proactive during the transformation.

Other interventions were also created. To meet the need of stopping the loss of critical talent, the OD team began by assessing who the critical talent in the organization was. They established Talent Management Councils and, along with an outside assessor, they pinpointed their key talent. Each intervention was conducted thoughtfully so that the comments and input received from the process could be utilized in future OD interventions, to allow the organization to continually improve through an extended, sustainable process.

This case study clearly showcases the basic principles of OD. The organization had an internal
OD team already in place, prepared to react to, and enact, change. By being aware of the business and its environment, the OD team felt the need and reasons for change. They realized that, in order to be successful, they needed to have the change strategy’s vision inline with the organizational vision. They explicitly crafted a vision to appeal to all the stakeholders, and to make their purpose clear.

They utilized the OD concepts of diagnosis, feedback, discussion, and then action in their process. By engaging the employees and managers of the organization in the workshops, the OD team was able to diagnose problems that were company-wide. This essential first step provided many benefits to the effort including a sense of participation, ownership, and it garnered the type of input that could not be gotten from executives alone. This data was then used in the diagnosis of the problems in the company.

By mapping the employee comments directly to fundamental areas of concern, the OD team was able to give meaningful feedback to the organization. All members saw that their comments were taken seriously, and that any future actions taken were due to their own responses. Likewise, an effort was made to choose areas of concern that mapped well with corporate goals and initiatives, so that it could be seen that value would be added to the organization.

The OD team then worked with management to determine which interventions would be most useful given the areas being focused on as well as the environment and context of the business. The expertise of the managers was necessary in order to make the change decided on effective and efficient. As there are infinite possibilities for intervention in an organization, by framing the discussion in terms of the feedback, the OD team could be sure the resulting plan would advance the stated needs of the organization.

Finally, by taking action, the OD team implemented the plans they had helped the management to make. The case study then goes on to explain the organization’s extension to the action stage of their process: “learning and thanking.” They did this to help “build the institutional knowledge needed to grow
and not repeat [their] mistakes. Thanking people is a critical step for helping [the employees] see the connection between their feedback and the actions taken” (Wirtenberg, et al, 2007, p.18). The process could then be repeated, using the information gained by reflecting on what was learned during the intervention.

The Sony Electronics case exemplifies how an internal Organization Development effort can be utilized to drastically change the direction an organization is moving in. By understanding the business gaps and opportunities from a people perspective, the company was able to add real value to their people and processes. In this way, the change was a success.
References

Spencer, L.V., “This Month the Gangsta Motivator Makes the Case for Change.” Training Journal, August, 2008
Chapter 4: Assessing Organizational Readiness for Change

Contributors: Elizabeth Samantha T. Dichupa, Jongmin Timothy Moon & Meredith T.D. Slane
Contributors: Kayhan Atesci, Sheng Bi, Ramona Black, Tsui-Fang Chang, R. Michael Hogsett, Helen Kresl

Learning Objectives:
In this chapter you will learn:
1. What change readiness means.
2. Key requirements for change readiness.
3. What change readiness assessments are and why they are important.
4. Some benefits and cautionary notes about change readiness assessments.
5. The importance of organizational culture.
6. Dimensions used to measure change.
7. Organizational dynamics of change.
8. Perception of change within the organization.

4.1. Introduction
As organizations face ever-evolving operational methodologies and environments, change is inevitable. The success or failure of the associated change implementation is dependent upon how ready the organization was before entering the change process. Therefore, there is a logical contention that organizations are more likely to have successful change management programs if they regularly assess their current status in terms of change readiness.

This chapter introduces the subject of organizational change readiness and related issues. We begin by looking at what change readiness means and why it is so important to organizations. From there, we highlight key requirements for change readiness and how an organization can determine its current state of readiness.
4.2. Change Readiness

Darwin’s theory of evolution can be compared with an organization’s need to change\textsuperscript{[1]}. It is common knowledge that Charles Darwin said: "It isn't the strongest of the species that survive, nor the most intelligent, but the one most responsive to change." In other words, the ability to adapt and adjust to change is imperative to survival and success; brawn and brains alone are not enough.

In order to be successful, organizations must be able to adapt to change. Even small changes experienced within an organization can have a significant impact, so it is important to carefully consider various issues and act in a manner that best suits the organization.

In broad terms, it may be helpful to think of the change process in four simple stages:

- identify and acknowledge the imminent change(s)
- assess the organization’s current status and ability to make the change(s)
- prepare for the change(s)
- implement the change(s)

Figure 4.1 provides a basic flow diagram illustrating how an organization may process these four stages. The entry point at the top of the diagram is "CHANGE". The first decision the organization must make is whether or not to formally identify and acknowledge the presence - and the need for - the proposed change. If the organization chooses not to do so, they are essentially deciding to ignore the change and must face the consequences of doing nothing. For example, if a traditional publishing company chooses not to consider the use of new technology (e.g. they decide not to produce online versions of some or all of their hard copy printed titles), or they ignore the need to transform aspects of its organizational culture (e.g. choosing to deny rather than embrace the existence of innovative and challenging aspects of new ways of working), it is likely that the publisher will experience significant difficulties when trying to compete in what is now a rapidly evolving market.

On the other hand, when an organization chooses to address a change, they must ask themselves: are they actually ready for change? If the answer is "no" or "don't know", they must then decide whether or not they are prepared to conduct a proper assessment of change readiness within the company. If the organization chooses not to do so, once again they must face the consequences of doing nothing. Having already acknowledged the need for the change, deciding against a change readiness assessment at this stage may be a warning sign that organizational barriers exist, which could effectively sabotage the change efforts. For example, senior management may be seeking to undermine the credibility of the proposed change. Situations like
this can draw attention to a number of cracks in the organization’s structure; cracks which are likely to increase in magnitude, and corresponding adverse affects, if neglected further.

When an organization decides to undertake a change readiness assessment, they can do this in a number of ways. For example, studies may include observations, employee surveys, or self-assessment checklists. Overall, the goal is to realistically gauge the current status of the organization in terms of its ability to successfully apply the proposed change.

Analysis of the change readiness assessment may or may not highlight areas that need to be addressed before proceeding with the change process. Where issues are raised, corrective action should be taken, followed by a new change readiness assessment. This regressive testing approach can identify new issues that may have been introduced as a result of previous actions, and will ultimately help to ensure the resolution of known barriers to change readiness within the organization.

When the organization is satisfied with the results of the change readiness assessment, they will be in a position to say that they consider themselves to be ready for change. At this point they can take steps to prepare for and then implement the proposed change as part of a formal change management exercise.

In essence, before implementing any change program it is vital to have an informed understanding of how ready the whole organization is for the proposed change. Once that understanding exists, the organization is in a much better position to achieve a smoother transition for the changes being applied.
Figure 4.1 Basic stages of organizational change process

Change Readiness Requirements

Organizational readiness can be thought of as "a state of preparedness - psychological and behavioral - for change"[2]. Perception towards change and the spirit of readiness with which it is approached must not be underestimated. For example, if employees at one or more levels of an organization are apprehensive about, or feel threatened by an upcoming change, the organization is not truly ready for the change and further work is needed to ensure a successful transition.

In order to reach the point where the organization feels ready for the proposed change(s), key criteria must be met. In particular, the organization must be satisfied that it is in a position to provide the required knowledge, skills, resources, and support[3].
**Knowledge**

The organization must understand its current knowledge base and identify any knowledge gaps when considering any proposed change. In order to be ready for change, the organization must be satisfied that staff will be sufficiently knowledgeable to function in the desired manner before, during, and after the transition. If disparities are identified, organizations have the opportunity to introduce training programs that allow existing staff or external consultants to share their knowledge and reach a stronger change readiness stance.

**Skills**

Change often involves the introduction of new ways of working and/or new technology. As such, organizations must assess the current soft and hard skill levels within the workforce. Where skill deficiencies are identified, external consultants, facilitators or trainers may be brought in to develop employee skills as necessary. As skills are developed, there may be an opportunity for internal staff to take over the skills training role.

**Resources**

Change cannot happen if the required resources (e.g. people, physical materials, electronic applications, etc.) are not available. Organizations must assess their immediate and future resource needs, gauging their current ability to make efficient use of existing resources wherever possible, identify new resources, and establish how to dispose of and acquire different resources over time.

**Support**

Change does not happen overnight and will typically encounter resistance. Employees may be unenthusiastic and may fear change for a number of reasons, including the possibility of job losses, extra work, or simply fear of the unknown. At more senior levels, if management is reluctant to change, they may be able to derail the entire process by withholding information or oppose the change at board meetings. In order to be ready for change, it is therefore vital to have senior management support. This in turn can drive the necessary support network throughout the entire working hierarchy. With open communication channels and a clear understanding of the change, how it will be implemented, and the benefits it will provide, the organization is more likely to be in a strong position to approach the change.
Overall, the organization must implement an appropriate methodology to determine the current status of each of these four requirements, giving careful consideration to the people, culture, materials, etc. involved. Also, when looking for personal indicators to assess readiness for change, particular attention should be given to points such as the levels of trust, communication, risk tolerance, flexibility and innovation within the organization\textsuperscript{[3]}.

Having assessed each individual requirement, the organization must then assess the extent to which these requirements are likely to be able to interact and work together towards change. Essentially, each organization must gain confidence in the ability for its collective knowledge, skills, and resources to be seamlessly implemented towards a common goal. With appropriate senior management and organizational support in place, it is likely that the organization will be ready to undertake the challenge of the proposed change(s).

**Assessing Change Readiness**

Change readiness assessments can be used throughout the entire change process in order to determine the organization's current strengths and weaknesses in areas related to the change. Strengths can be heralded and built upon, while weaknesses may identify risks and barriers that can recorded, resolved or minimized. Performing assessments over time allows an organization to monitor progress as the change is implemented and has the potential to highlight new or previously unidentified problem areas.

Four important elements for assessing change readiness have been identified by Cohen\textsuperscript{[4]}. In essence, the organization must determine its current status, identify and manage barriers, establish clear communication throughout the organization, and be ready for resistance to the proposed change.

**Determine the organization's current status**

It is important to gather information that reflects the current status from a variety of sources at different levels within an organization. The desired outcome is one of explicit statements as opposed to implicit assumptions, thereby providing a clear and accurate picture of the organization's change readiness position.

**Identify and manage barriers**

It is common knowledge that the earlier obstacles are found, the more chance there is to fix them or at least minimize the negative impact that may be associated with them. Conscious
efforts should therefore be made to identify and acknowledge organizational barriers - especially cultural differences - when addressing change readiness.

**Communicate**

Good communication is vital within a successful organization. Staff members at different levels of an organization may do different things in different environments; as such, the best way to gain a proper understanding of what specific employees do is to talk to them directly. This approach can uncover problems, encourage innovative change proposals, and provide senior management with critical feedback on employee perspectives.

**Be ready for resistance**

It is acknowledged that change can foster fear and discontent, which can lead to resistance when changes are proposed. As inevitable as resistance may be, organizations can plan for and take steps towards managing and overcoming conflicts.

**Change Readiness Assessment Tools**

A range of assessment tools are now available to determine risks associated with change. Generic tools are freely available online and in books[4]; organizations may also choose to develop or procure customized versions to best suit their needs. Many tools are presented in the shape of a self-assessment form where pertinent questions are posed for each stage of the change process, with a ranked array of potential responses, and a numerical scoring system to quantitatively measure the readiness. It is worth noting that inclusion of "Don't Know" responses in an assessment form is just as important as "Agree" or "Disagree" because this allows the organization to perform a true evaluation of its current status in each particular area. Ideally, organizations should always encourage and support honest completion of such assessments.

Simple change readiness questionnaires can be used to gain an "initial sense"[1] of an organization's change readiness. While questionnaires like this do not address all of the issues facing an organization as it moves toward transition, they are generally user-friendly, easy to complete and can be useful tools for stimulating discussion and making sure the right questions are raised later in the process.

Observation and interviews can provide qualitative results, while focused questionnaires and surveys can provide quantitative data[5]. Whether used separately or together, each approach offers some insight to the readiness status of the organization.
As with any credible assessment exercise, the results should be properly analyzed, with reports distributed in an appropriate manner, and steps enacted as required. There is little point in conducting an assessment if the results will have a limited audience and any recommendations ignored.

**Benefits**

Different organizations may approach change differently. Organizations may have different histories, they may be different sizes, they may produce different things, etc. However, the more an organization understands its own culture and ways of working, the more likely it will be able to identify areas of flexibility and acknowledge more rigid factors. Four specific benefits of conducting change readiness assessments are summarized below.

**Gain insight into employee perceptions at all levels**

Change readiness assessments can be used to gather employee thoughts and opinions throughout the organization. Anonymous and / or personalized comments can highlight good and bad aspects of the organizational workings and culture. Careful analysis and directed action can then be used to address particular issues in an effort to improve the organizational environment for all. For example, if an organization had some isolated departments with their own sub-cultures and this was having a negative effect on the organization as a whole, this could be identified and steps taken so that the organization functioned more in unison.

**Identify and manage potential risks and barriers**

As mentioned previously, change typically encounters resistance of some sort. Assessing the current state of readiness can help to identify potential problem areas at an early stage of the change process. This information can then be used to plan ways of minimizing, resolving or avoiding barriers that would otherwise prevent organizational change.

**Identify and manage variable issues over time**

By performing change readiness assessments periodically, it may be possible to identify evolving issues, or highlight issues that were previously hidden or considered negligible in comparison to other more important factors. It should be noted that the assessment materials themselves may also need to be updated over time. For example, there may be a need to specifically address new issues or there may be a desire to approach existing points from different angles in order to gain a deeper understanding of the organizational status.
Understand current ability to change

The aim of each readiness assessment is to provide the organization with a realistic overview of its current ability to change. This information can provide a wealth of detail about the organization, some of which will directly affect current change efforts, some of which may highlight the need for additional, unforeseen changes. While positive outcomes are obviously a good thing, it should be remembered that bad results can be used to positive effect as they prompt improvements within the organization.

Cautionary Notes

Assessing change readiness is not an easy process. As such, those tasked with gathering and managing information regarding the organization's readiness status may encounter challenges along the way. The first challenge is ensuring that the right questions are asked in the right way. Other common challenges include: fear of over surveying, fear of misuse of data, and unskilled survey evaluation. [4]

Questions

Survey questions - and the response options - must be clear and unambiguous. Those preparing the survey must also ensure that questions are not offensive or misleading to the survey audience (this is of particular importance where a single survey may be introduced within a global company, with a range of cultural norms).

Over surveying

The fear of over surveying is a two-pronged challenge. First, there is a danger of running change readiness assessments too frequently, which may result in employees not taking them seriously, which may in turn lead to inaccurate responses. Second, there is the potential for organizations to use this risk as a way to avoid conducting vital change readiness assessments. Organizations must find the right balance in their approach to gathering and acting upon employee feedback. By doing so, employees are more likely to feel like their opinions are valued (and therefore will be more likely to provide accurate responses), and the organization as a whole will be in a stronger position to approach change.

Data misuse

109
The fear of data misuse is another two-pronged challenge. First, in any data gathering exercise there is a danger that the results may be ignored, abused or misinterpreted. Second, there is once again the potential for organizations to use this risk as a way to avoid performing assessments. In order to minimize the risks associated with the misuse of data, organizations must ensure the assessments are presented in a controlled manner. Assessments must aim to ask the right kind of questions, with associated rules and expectations clearly stated and visible to all involved. For example, if results are to be published as part of a report, employees may feel uncomfortable providing names or departments in survey responses, so all participants should be made aware of the proposed use of the data beforehand.

**Survey evaluation**

Administrating change readiness assessments is a challenge because it requires specialist skills; lack of the necessary expertise may result in ambiguous or incorrect conclusions. In order to ensure assessments are managed effectively, organizations may prefer to hire independent facilitators, i.e. people who have been specifically trained in the process of data gathering, analysis and communication of survey results.

Overall, organizations should carefully consider their approach to gathering reliable feedback from employees, with particular efforts to maintain a balance between collecting information and designated use of that information. Those providing information must always be informed as to how their responses will be handled - especially in terms of confidentiality. Also, the organization should ensure that the people running the survey have the required skills to gather, manage and accurately report upon the information being assessed.
Case Studies - Change Readiness Assessment Examples

Case Study 1: Change Readiness Assessment for Conversion to Electronic Methods

The following case study provides an example of a change readiness assessment conducted before implementing a new clinical information system. Interviews with various staff members provided qualitative data. In addition, the process generated a survey to gather feedback on change acceptance and resistance over time.

As technology advances, organizations often want to move from older to newer process mechanisms. An example of such a change is the shift from paper medical records to electronic records. The change readiness assessment performed by Mustain et al highlighted the challenges faced by nurse executives in terms of documenting clinical information and the change management preparation required for the introduction of a clinical information system.

Having determined their "roadmap of vision" and driving factors, they assessed the current state of the organization in relation to readiness for this project. In order to establish how the organizational readiness for the new information system was broadly perceived, the process included an external consultant interviewing "key executives, key medical staff leaders, and members of the organization's board of directors".

A change readiness survey was also developed in order to assess the level of change acceptance or resistance that the team members and physicians felt towards the information system in 4 areas:

- personal adaption
- level of commitment
- interpersonal communication
- institutional support

The results from the survey provided an overview of the staff opinions before the system was implemented. Furthermore, by running the survey annually with a limited set of team members and physicians, the organization was able to continually reflect upon and address developing issues with the system once it was operational.
Case Study 2: Organizational Readiness for Change: A Case Study on Change Readiness in a Manufacturing Company in Indonesia

The following case study provides an example of an anonymized change readiness survey presented to a random pool of employees within an organization. The results from the survey provided a quantitative measure of the organization's change readiness status. It is interesting to note that the inclusion of survey questions that could have identified people by association is likely to have discouraged some people from completing the survey in its entirety, and therefore had some impact on the results.

Susanto considered the following aspects of organizational readiness with regards to a manufacturing company in Indonesia:

- perception toward change efforts
- vision for change
- mutual trust and respect
- change initiatives
- management support
- acceptance
- how the organization manage the change process

In line with other published works, Susanto highlights issues such as the importance of employee perception toward change efforts since people's perceptions can just as easily "facilitate or undermine" the change initiative.

Susanto explains that an anonymized survey was conducted on a random pool of 153 employees in order to assess the Indonesian manufacturing company's readiness for change. The survey allowed respondents to provide scores on issues linked to the seven aspects listed previously. The survey population was predominantly male, with a majority under the age of 25. The education level of the respondents ranged from junior high school to Masters / PhD level, with more than half being high school graduates. The respondents also represented a varied amount of time spent with the company and levels of experience.

Overall, the survey results for the Indonesian company determined that the "readiness index toward changes was 3.00 out of scale 4", which indicated that the level of readiness was "READY".
It was also noted that some survey questions may not have been completed by all respondents, which may have introduced some discrepancy. The reason for such omissions may be due to the nature of some survey questions - i.e. those that might identify the respondent by association, and therefore remove the confidential status of the employee.

Susanto concluded by re-iterating the importance of considering all seven aspects of the change process. Essentially, when the people within an organization are ready to change, it is generally easier to implement the change. People's perceptions must not be underestimated, and the vision for change must be properly communicated. There should be a "sense of urgency" associated with change initiatives. Roles should be clear; managers should encourage participation and feedback, leaders should inspire colleagues and champion new projects.

In addition, it was emphasized that before implementing a change program, if an organization produces scores for the seven aspects, low scores "should be given specific attention", which in turn can lead to improving the organizations' readiness for change.
4.3. Culture Defined

Culture has been mentioned several times now in relation to change readiness. An appreciation for various types of working cultures is important for three reasons: organizations are increasingly doing business abroad i.e. globalizing, business are absorbing more types of cultures as people from various cultures move or are brought here for specialized work, and because wherever groups of people organize around a task a culture develops that will have unique ways of thinking and managing that task.

A classic definition of Organizational Culture, as defined by Edgar H. Schein, professor of management at the Sloan School of Management, MIT, is "A pattern of shared basic assumptions that the group learns as it solves its problems of external adaptation and internal integration, that has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way you perceive, think and feel in relation to those problems" [8]. Many sources will talk about it as the personality of an organization[9], which is a good working definition even though it is a slight over-simplification. Basically, organizational culture informs an organization on how to react to stressors in the environment. Just as there are many cultures around the world, all of which have different ways of dealing with the problems of economic survival, management of its resources, different ideologies, citizen's rights, health, and productivity there are different types of cultures within business organizations that deal differently with the stresses of workloads, deadlines, technology, and management, and threats to security to name a few.

Cultural Change

Before setting out to change an organization's culture it is important to understand that culture is not right or wrong and neither is it always changeable. Sometimes, what needs to change is the way business is done to adapt to the culture rather than to try to change the personality of the employees of the organization. Generally, culture has developed over a long period of time in an adaptive way, in a particular context, and under a set of constraints. Sensitivity to this and a willingness to understand the current culture will help a change manager when he or she assesses readiness of the organization. But, if the values inherent in an organization's culture are not aligned with the values of the businesses needs, the change will be difficult. Cultural change is about helping the existing culture acquire the values and behaviors it needs to successfully adapt to whatever stressors the organization is faced with in order to make the proposed change.
Type of Cultures you may encounter in the workplace

Modern business are absorbing more types of cultures as people from various countries move or are brought here for specialized work, the issue of ethnic culture is a recurring issue.

Case Study - Culture Conflicts

**Biotech Company, Sub-cultures clash during acquisition.**

Consider a small biotechnology company with a Research & Development division comprised of erudite PhD scholars imported from a remote scientific community in Russia, an American CEO who had come up with the capital for the venture and brought the scientists to America, and another division comprised of people with a variety of college degrees who were tasked as project leaders and clinical research directors.

The purpose of the company was to churn out useful medical equipment that could be patented and sold at a profit though each division of the company saw its contribution to this effort in different ways. In one group the people were task oriented, academic, and fully committed to the scientific process. In the clinical research division the employees were end product oriented and while aware of the ethical implications of following scientific process did not place as high a value on it. Managing the distinct cultures was important in keeping the organization committed to the end goal of developing a profitable product. The company was successful and the CEO decided to sell his interests in the company to another firm.

The acquisition was not successful when two distinct academic cultures were brought together. The scientific community of the acquiring company was predominantly Chinese. Combining a tightly knit Russian scientific community with a small group of Chinese scientists imposed both the courtesy of speaking English at work. Also, the two groups did not share the same type of humor or even tolerance for taking the time to exchange conversation the workplace, let alone a tolerance for the occasional beer that used to be on hand in the refrigerators that were monitored only by the honor system in the previous company. The Russians were a team that liked to work from morning until night, but cherished breaks to swap stories, while the tee-totaling Chinese worked themselves hard from 9 to 5 so that they could return to their respective families each evening. The newly merged science division, the core division of the newly formed company, was unable to work together in the same freely associative ways that in the past
had stimulated innovation and collaboration in each separate group. The Russian scientists disbanded and moved to positions at other companies.

The newly formed company was struggling with culture. Had the CEO recognized the importance of organizational culture it is possible that merger should not have happened or that better preparations would have been made.

Each nationality possesses a stereotype for which it is internationally known. Americans, for example, ‘have earned the reputation abroad for being very good at understanding technology but not good at understanding people”, Mexicans have earned the reputation of not feeling ‘confined and pressured when given deadlines; they prefer open-ended schedules”, and the French enjoy a good debate[10]. But trite stereotypes are not useful. Instead, an in-depth cultural analysis is needed when dealing with other cultures. Cultures have been studied and reported on for centuries with the result that before travelling one can visit a website or purchase books that will give advice on cultural of the host country. However, the work of one scholar is different from these in that his work has led to the creation of a tool that can help a manager analyze a culture for which there is little or no data. Having studied how values in the workplace are influenced by known cultures, Geert Hofstede[11] developed a set of parameters called Cultural Dimensions to help business managers evaluate lesser known cultures on the basis of the following observations: degrees of societal stratification, cohesion of family groups and relatives, the distribution of male and female roles, and ability to deal with uncertainty. These parameters are believed to affect values in the workplace and are also useful in predicting how people may respond when two or more cultures are brought together.

These parameters are described in full detail below and on his website: http://www.geert-hofstede.com/.

**Power Distance Index (PDI)** that is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers as much as by the leaders. Power and inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others'.

**Individualism (IDV)** on the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty. The word 'collectivism' in this sense has no political meaning: it refers to the group, not to the state. Again, the issue addressed by this dimension is an extremely fundamental one, regarding all societies in the world.

**Masculinity (MAS)** versus its opposite, femininity, refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The IBM studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values.

**Uncertainty Avoidance Index (UAI)** deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth; 'there can only be one Truth and we have it'. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more
tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions.

**Long-Term Orientation (LTO)** versus short-term orientation: this fifth dimension was found in a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars. It can be said to deal with Virtue regardless of Truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. Both the positively and the negatively rated values of this dimension are found in the teachings of Confucius, the most influential Chinese philosopher who lived around 500 B.C.; however, the dimension also applies to countries without a Confucian heritage.

The following graphs show how a sampling of countries scores for the given index.

*Figure 4.2 United States of America*
Judging by the above graphs the two countries which will have the fewest misunderstandings negotiating, planning, or finalizing business arrangements will be the USA and Canada. An understanding of how the factors contributing to the differences in the PDI and MAS index will affect business dealings between the USA and Finland would be advisable for business from those respective countries.

Cultural traits persist on national, regional, organizational, and social levels and any combination and recombination of these will yield a slight different flavor of culture so in using tools for assessing them one must exercise care and with the recognition that they have their limits. The above tools, for example, will be less helpful when analyzing sub-cultures.
How to Understand Culture in an Organization?

It is not an easy job to assess and understand the culture from our own view. Assessing an organizational culture is like trying to describe how to eat. People are so familiar with doing something fundamental, but they have never thought how to analyze those basic behaviors.

Central Concepts about assessing the organizational culture are:

• Be an impartial observer
• Examine conflicts closely and watch for emotions
• Pay attention to common areas
• Interact with everyone in the organization

The following is a list of cultures that could be derived from observation over time. Most would be comfortable with the following generalizations:

Academy Culture
Employees are highly skilled and tend to stay in the organization, while working their way up the ranks. The organization provides a stable environment in which employees can develop and exercise their skills. Examples are universities, hospitals, large corporations, etc.

Baseball Team Culture
Employees are "free agents" who have highly prized skills. They are in high demand and can rather easily get jobs elsewhere. This type of culture exists in fast-paced, high-risk organizations, such as investment banking, advertising, etc.

Club Culture
The most important requirement for employees in this culture is to fit into the group. Usually employees start at the bottom and stay with the organization. The organization promotes from within and highly values seniority. Examples are the military, some law firms, etc.

Fortress Culture
Employees don't know if they'll be laid off or not. These organizations often undergo massive reorganization. There are many opportunities for those with timely, specialized skills. Examples are savings and loans, large car companies, etc.

Case Study - Culture and employee satisfaction
Case Study: Southwest Airlines; factionalized culture turns Club Culture and survives the competition

Known for its efficient bus style service of first on first off and with quick turn-around times at airports it is today the largest airline in the United States by number of passengers carried domestically per year (as of December 31, 2007) and is one of the world's most profitable airlines, posting a profit for the 36th consecutive year in January 2009 \[13\]. Newspapers and magazines often feature Southwest as a model for employee satisfaction and the company's founder, Herb Kelleher, has been quoted as saying that "There is one key to profitability and stability during either a boom or bust economy: employee morale"\[14\]. Despite this contemporary attitude towards employees a labor problem characterized by departments vying with each other for resources and 'sparring with marketing' took root in early 2000. The company was made up of unionized employees whose loyalties were split between their unions and their bosses. Additionally, the company was faced with the business challenge of two major airline competitors with larger financial resources. Southwest was failing to meeting the performance standards and fearing failure Herb Kelleher issued a series of letters to his employees known as "messages to the field" and speeches in which he urged his employees to put aside their differences and come together as a company. In the end, "Southwest Employees rose to the challenge with a generosity of spirit and selfless teamwork that others would find unbelievable. Pilots volunteered to work double shifts as volunteers loading baggage while recruiters worked to find new employees in California with a can-do work ethic. Top leaders flew in to load baggage and work the ticket counters to take up the slack. Culture Committee members organized employee appreciation events, cooking hundreds of burgers and serving chili dogs to lift the spirits of those on the line who were working extra hours to keep all flights on-time. Meals were served to all three shifts around the clock in maintenance hangers to show appreciation for the valiant efforts of the maintenance team"\[15\].

This case study shows how one manager transformed a factionalized workforce into a stable "Club Culture" to cope with competition in the marketplace. His methods involve his personal integrity with the organization, his rapport with the employees, and his charisma.
Each manager will bring something different to an organization and it is important for a manager to recognize his own strengths and perceived shortcomings before attempting to changes others. After studying his/her organizational culture a manager will have to decide what changes will be possible or necessary to bring about change.

In a highly popular American film called "Office Space" (1999) cultural change management was a sub-theme and a fictional manager's misguided attempts were aptly portrayed in this clip:

Joanna Quits"


The cultural change that will bring about a change in core values and put the organization into a spirit of readiness will always be challenging to ascertain. A good way to begin to think about what aspects of the culture needs to change is to look at what the organization will look like once it is ready. This is the same advice one would give an individual who is seeking to change his or herself. Look towards the end goal, what you will look like when you have achieved your goal, and then take your individualized plan of action. Let's look at the key traits of organizational cultures that adapt to change successfully.

**What are the key traits of organizational cultures that adapt to change successfully?**

While there are no distinct cultural sets that can be discussed without making the mistake of stereotyping there are distinct differences between companies that succeed in the face of change and those that don't. Key traits of out-performing organization include:

1. Higher satisfaction by marketing employees in the areas of rapport with their bosses and recognition at work.
2. A focus by companies during recruiting on specific skills related to the position, as well as an interest in bringing in an outside perspective
3. Offering options like job sharing or part time roles as well as a greater variety of retention programs
4. A particular emphasis on teamwork and diversity as factors driving advancement
5. More opportunities for enrichment as professional marketers through training and education both inside and outside their companies.
Although organizational steps are necessary, they are not sufficient in creating and implementing change. In managing transitions, a more problematic set of forces which focus on individual psychodynamics of change must be understood and managed. Major transitions unleash powerful conflicting forces in people. The change invokes positive and negative personal feelings of hope and fear, anxiety and relief, pressure and stimulation, leaving the old and accepting a new direction, loss of meaning and new meaning, threat to self-esteem and new sense of value. Change leaders need to recognize these mixed emotions and mobilize and focus energy that is necessary for individual renewal and organizational revitalization.

Culture change is best initiated at propitious moments when some obvious problem, opportunity or changes in circumstances, make change seem desirable. Managers should be cautious about whether they can persuade members that a culture change is justified. Proponents of change need to dramatize the circumstances to various stakeholders to win their support.

Why Cultural Change is Difficult?

There are a number of reasons why people resist change, which should be addressed by management. Below is a list of these reasons:

<table>
<thead>
<tr>
<th>At Individual level</th>
<th>At Organization/Group level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fear of the unknown.</td>
<td>Threats to power and influence.</td>
</tr>
<tr>
<td>Self-interest.</td>
<td>Lack of trust.</td>
</tr>
<tr>
<td>Selective attention and retention.</td>
<td>Different perceptions and goals.</td>
</tr>
<tr>
<td>Habit.</td>
<td>Social disruptions.</td>
</tr>
<tr>
<td>Dependence.</td>
<td>Resource limitations.</td>
</tr>
<tr>
<td>Need for security.</td>
<td>Fixed investments.</td>
</tr>
</tbody>
</table>

*Table 4.1 Reasons for Resisting Change*
4.4. Dimensions used to measure the amount of change

As stated in the above section, there are various triggers that lead to organizational change, such as Merger and Acquisition, technical innovation, knowledge transfer, and business focus shift. When a company knows that it needs to conduct an organizational change, pre-change evaluation can be extremely useful when determining what influence the change will have, what the consequences are, and what the whole process of the change could be. The purpose of the evaluation is to measure the readiness.

Measuring the amount of change is a combination of six dimensions (Figure 4.5), each of which needs to be examined in order to clarify the changes involved. These dimensions are:

1. **Scope**
   Scope refers to the proportion of activities, departments, or people affected by the change. For example, how many people and departments are involved in the process of change? How many business processes are altered due to the change? Is it a regional change or a global change?

2. **Magnitude**
   Magnitude defines the distance or difference between the current behavior and the behavior desired post-change. For example, will employees find the new values close to those they currently hold? How much will the status quo shift with regard to time allocation, status, power, and other resources? Will the change make extensive retraining necessary?

3. **Benefit**
   Benefit is the positive effect that the change brings. For example, how much business value will be added after the change? Will the organization gain competitive advantages?

4. **Duration**
   Duration is the time it takes to complete the change effort and the permanence of the change. For example, is the change effort expected to take two or three years? Is the change permanent or only temporary?

5. **Cost**
   Cost contains both human and economic aspects. For example, how many people are working on the process of change? How much money will be spent?

6. **Technology**
   Technology refers to the influence of the change relevant to technology. For example, will the new information system work well and be adaptable to the current one? If files or data transfer is needed, is the transfer secure and safe?
Each of the six dimensions is conceptually distinct, meaning that change efforts will rarely rank high or low across the entire spectrum. However, one dimension may affect another and depending on the change, some dimensions may play bigger roles than others. For example, the change regarding the introduction of a new intranet system is basically a technology change, but it affects every employee in the organization. Taking all of the dimensions of change into account can assist managers in preparing for a successful transition.

When assessing an organization's change readiness status, the dimension "scope" determines how many processes and people will be involved in the change. Normally if the scope is small, it will be easy for the organization to be ready for the proposed changes; if the changes will affect more than half of the employees, careful consideration and preparations are needed. The measurement of dimension "cost" obviously help as it determines the financial ability of change. "Technology" usually overlaps the other dimensions, for example, updating organization's internal servers will be the main concern of assessing the other dimensions. In today's world, technology should be considered throughout the process of change, because it is inexpensive and powerful, it can minimize administration, leading to a shift to maximize time spent on analysis, communication and improvement [17].

Looking at various combinations of dimensions is also beneficial. For instance, taken together "magnitude" and "benefit" indicate how much the envisioned change breaks from the past. If "magnitude" is high while "benefit" is low or medium, managers are dealing with a
culture shift issue. If both "magnitude" and "benefit" are low, managers are dealing with cultural maintenance. If both are high, managers may need to create an entirely new culture, as in the example of General Motors (GM) and Saturn. In an attempt to compete with Japanese car manufacturers, GM felt the need to build cars in a new way. Rather than attempting an enormous change effort, they created a new division, branding it as Saturn.

Based on the six dimensions, there are two general principles of measurement of changes – effectiveness and efficiency, and they are defined as the main principles as well as key factors of any change measurement system [18].

- Effectiveness is strategically doing the right thing. How well both employee and customer expectations are met after the change? How much benefit is received? Will a satisfactory outcome be reached?
- Efficiency is to do things right with the best possible or optimal input such as time and money, and how well these resources are utilized.

Assessment of effectiveness and efficiency can be used to estimate the ratio of input and output in the process of change, which leads to the answer for the question: "is the organization ready for the changes?" Overall, effectiveness and efficiency will determine how well the organization leads and controls the change and how satisfied the employees, managers, and shareholders are.
4.5. Organizational dynamics of change

The dynamics of an organization play a crucial role in the process of change. However, let us lay the groundwork for the meaning of the word "dynamics" first. As the one of the original meanings suggests, dynamics is "a branch of mechanics that deals with forces and their relation primarily to the motion but sometimes also to the equilibrium of bodies." Moving from here, we can define organizational dynamics are the parameters that act as drivers in the operation of an organization. These parameters may lead the organization to change or create resistance against it. We will portray them thoroughly in this section.

4.5.1. Organizational Learning

Organizational Learning is one of the necessary activities to put new models and processes in place. Change from one concept to another entails learning new behaviors, and interpreting phenomena in new ways.

If we take a peek at the mechanics of organizational learning, we see that it occurs both at an individual cognitive level and also as part of the communication within the organization. Rather than predetermined formal groups, development and utilization of informal networks demonstrate to be more helpful in achieving success in learning attempts. Learning organizations foster an environment where assumptions are surfaced and challenged to address the uncertainty in cause-and-effect relationships. In doing this, organizations practice decision taking in multiple cycles. In a well-understood context, first-order (single-loop) learning occurs through repetition and focuses on behavioral outcomes. The aim in this practice is to institutionalize formal rules, i.e. to maintain the organization's culture, seeking to detect and correct errors within a process. Learning also takes place through previous actions. Second-order (double-loop) learning searches for contradictions in these actions, and intends to resolve them. The resolutions are anticipated to produce learning, resulting in changes in underlying beliefs, values, norms and create new understanding. Another level of learning in organizations is unlearning, through which organizations can discard obsolete and misleading knowledge.

Moving from the mechanics, an approach that is more practical and convenient for quick application makes the following suggestions. The environments that support learning allow time for a pause in the action and encourage thoughtful review of the organization's processes. In addition, a learning organization is a place where employees excel at creating, acquiring and transferring knowledge, and there are three factors that make up such organizations:

- Supportive learning environment
- Concrete learning processes and practices
• Leadership that reinforces learning

Supportive Learning Environment

Psychological Safety
Employees must be comfortable with expressing their thoughts, asking questions and speaking up when disagreeing with their peers. Fear has no good effect on the business environment.

Appreciation of Differences
Learning occurs when people become aware of opposing ideas. Alternative worldviews increases energy and motivation, sparks fresh thinking and prevents drift.

Openness to new ideas
The aim in learning is not only to solve problems. It is about crafting novel approaches in solving those problems. Employees should be encouraged to take risks and explore the unknown.

Time for reflection
When people get too busy with their tasks, their ability to think analytically and creatively declines, thus they become less able to diagnose problems. Supportive environments allow time for a pause, and let the staff do a thoughtful review of the organization's processes.

Concrete Learning Processes and Practices
A learning environment requires effort to be created. And this effort is comprised of a series of concrete activities learning processes, which involve generation, collection, interpretation and dissemination of information.

A very relevant example to this approach is the U.S. Army’s After Action Review (AAR) process, now widely used by many companies, which involves a systematic debriefing after every mission, project or critical activity. This process is framed by four simple questions:

• What did we set out to do?
• What actually happened?
• Why did it happen?
• What do we do next time? (Which activities do we sustain, and which do we improve?)
These lessons are quickly spread through the entire chain of command and through sanctioned websites. The results are codified by Center for Army Lessons Learned (CAFF). Dissemination and codification of such nature is very important for any organization.

**Leadership That Reinforces Learning**

Organizational learning is strongly influenced by the behavior of leaders. When leaders actively question and listen to employees, people in the institution feel encouraged to learn. The significance the leader places on spending time on problem identification, knowledge transfer and reflective post-audits will be a booster to the learning activities, and therefore motivate the employees to offer new ideas and options.

Harvey Golub, former chief executive of American Express, was renowned for his ability to teach employees and managers. He pushed hard for active reasoning and forced managers to think creatively and in unexpected ways. A subordinate observed that he often "came at things from a different angle" to ensure that conventional approaches were not accepted without first being scrutinized. "I am far less interested in people having the right answer than in their thinking about issues the right way," Golub told us. "What criteria do they use? Why do they think the way they do? What alternatives have they considered? What premises do they have? What rocks are they standing on?" His questions were not designed to yield particular answers, but rather to generate truly open-minded discussion.[24]

**4.5.2. Team Collaboration**

In today's business trends, many tasks are accomplished by teams; and in many cases by sets of teams. Especially, large companies rely on their teams made up of highly educated and diverse specialists to get the job done[23].

Organizational teams play a vital role in the process of change as well. Research suggests that functional diversity in cross-cultural teams was found to be increasing the task disagreements. However, how those disagreements were managed and communicated influenced whether or not they negatively impacted innovativeness[24].

A recent study lists the eight factors that lead to the success of teams. As these factors were not specified particularly for the process of change, we believe that they are applicable[28].

1. Investing in signature relationship practices.

Executives can encourage collaborative behavior by making highly visible investments—in facilities with open floor plans to foster communication, for example—that demonstrate their commitment to collaboration.
2. **Modeling collaborative behavior.**
   At companies where the senior executives demonstrate highly collaborative behavior themselves, teams collaborate well.

3. **Creating a "gift culture."**
   Mentoring and coaching –especially on an informal basis– help people build the networks they need to work across corporate boundaries.

4. **Ensuring the requisite skills.**
   Human resources departments that teach employees how to build relationships, communicate well, and resolve conflicts creatively can have a major impact on team collaboration.

5. **Supporting a strong sense of community.**
   When people feel a sense of community, they are more comfortable reaching out to others and more likely to share knowledge.

6. **Assigning team leaders that are both task- and relationship-oriented.**
   The debate has traditionally focused on whether a task or a relationship orientation creates better leadership, but in fact both are important to successfully leading a team. Typically, leaning more heavily on a task orientation at the outset of a project and shifting toward a relationship orientation once the work is in full swing works best.

7. **Building on heritage relationships.**
   When too many team members are strangers, people may be reluctant to share knowledge. The best practice is to put at least a few people who know one another on the team.

8. **Understanding role clarity and task ambiguity.**
   Cooperation increases when the roles of individual team members are sharply defined yet the team is given latitude on how to achieve the task.

The benefits of having a team that can work well together can't be underestimated in any environment. When a team can work together effectively work gets done faster, more smoothly and more effectively. In regards to organizational dynamics and assessing the readiness of your organizations ability to change, teams also have a very large role. One of the important things to remember when developing a team in regards to organizational dynamics is to give the team a mix of people from all aspects of the company. One relevant example to illustrate can be found in the work of British Broadcasting Corporation (BBC). When the BBC covers the World Cup or the Olympics, it gathers a large team of researchers, writers, producers, cameramen, and technicians, many of whom have not met before the project. These specialists work together under the high pressure of a "no retake" environment, with just one chance to record the action.
This is what should happen when implementing a cohesive team in regards to organization dynamics. When you have a group of people that see the company from different points of view you are more likely to get how the company feels then if you were to just see it from your point of view.

4.5.2. Concerns Pertaining to Change

Once the need for change has been identified and felt by those whom it will affect, there can be a variety of reactions. Both positive feelings toward the change as well as feelings of uncertainty or resistance are common. The complexity behind this (for those trying to implement change) is determining whether or not the support for change is enough, and what the possible barriers to change are. Completing a Force Field Analysis can help managers determine driving factors and restraining factors affecting the proposed change. Kurt Lewin's Force Field Diagram illustrates the push and pull between these opposing forces\[236\]. Forces driving the change are listed on the left, while those working against the change are listed on the right. Arrows point to the center; those that illustrate a strong force are longer than those which depict weaker forces.

Figure 4.6 Force Field Diagram
Managers can also use the **See-Feel-Change** method. This method helps people that are complacent and scared of change see that there is an urgent need for change.

- **See**
  Managers can create dramatic, eye-catching, compelling situations that help others visualize the problem and solutions to the problem.

- **Feel**
  The visualizations awaken feelings that facilitate useful change or ease feelings that are getting in the way.

- **Change**
  The new feelings change or reinforce new behavior. People act much less complacently.

### 4.5.3. Trigger Events and Quick-fix Leadership

Organizations can find themselves in situations where there is a trigger event indicating a change is needed. Whether the trigger is extreme and immediate, such as impending bankruptcy, or more abstract such as the fear of losing competitiveness, it must be communicated to key members in the organization. Research on change management suggests that people are unwilling to change unless they feel motivated: "A sense of urgency, sometimes developed by very creative means, gets people off the couch, out of a bunker, and ready to move." [28]

A crisis is specific a type of trigger event. In crisis situations, it is crucial to be able to understand what must be dealt immediately and what can be included in a strategic plan. Natural disasters are good examples of quick-fix leadership because they are situations that do not provide the luxury of time needed to create a strategic plan. Hurricane Katrina was the costliest and one of the five deadliest hurricanes to ever strike the United States [29] and exposed the Federal Emergency Management Agency's (FEMA) lack of preparedness. The most important thing was to "stop the bleeding" by mobilizing all resources to help those affected by the storm. However, FEMA's inability to quickly provide essential resources like food and water brought about heavy criticism which caused Michael D. Brown, head of FEMA at the time, to resign. Once the major damage was controlled, they looked to reorganize, investigating the failures and making recommendations for change. Of course, such a disaster works as a trigger causing organizations to reexamine their policies and procedures. In contrast to the criticism surrounding
Hurricane Katrina, the devastating terrorist attack on September 11th, 2001 is an example of well-executed quick-fix leadership that brought President Bush’s approval rating to 86% \[^{30}\] and national and local praise to New York City mayor Rudy Giuliani which made him TIME’s 2001 person of the year \[^{31}\]. The support gained from successful quick-fix leadership makes it easier to implement the necessary changes. While it is important to solve the major problems at hand, change managers needn’t forgo long-term change, getting wrapped up in quick-fix solutions.
4.6. Perception of Change within the Organization

Importance of Role-perceptions & Beliefs in the Change Process

Whether or not change can occur within an organization is very dependent upon the perception of roles and beliefs the people within the organization hold. People are the most important factors behind whether change will be accepted, and therefore, their points of view are necessary to implement change on any level.

While gaining the support of all the people in a given company, this can be hard to accomplish without first gaining the support of certain role models within a company. These respected and trusted role models, who actively support the change through their own actions, help strengthen people's belief in the change process, allowing for easier acceptance and smoother transition into the new culture.

John Kotter discusses a case where a company's senior management promoted a younger employee over those with more experience because the younger employee displayed a strong belief in the new culture they had established through their recent change efforts [32]. The reason for promoting the "more experience" employee is because the "more experience" employee may have a difficult time fully adapting to the new culture, which is why a "younger" employee may have an easier time adjusting to the new culture and thereby helping employee's under him/her accept it easier.

Gaining the full support of those in positions of power is important for everyone within the organization to try to accept the change. Those in power must be respected individuals who have the trust of others around them. If the people who work under or with these individuals do not trust the people supporting the change, then the change effort will be met with heavy resistance and could result in considerable damage to the organization. Support must be gained before attempting to implement the change. This is because people may become negatively affected by being asked to accept change when they have not been properly prepared, thus delaying and sometimes stopping the change all together.
4.7 Conclusion

Assessing readiness for change involves taking into account three main points: (1) What Drives Change (2) the Scope and Magnitude of Change and (3) Perception of Change within the Organization. These main points build a framework that can help managers assess if their organization is ready for change or whether they need to prepare further before introducing the proposed change.

Many people and organizations tend to skip the step of assessing whether or not change can happen because of either ignorance or the belief that change is a simple process. The three main points in this chapter prove that the change management process is a rather complex effort that requires considerable consideration before action.

Through correct preparation and understanding of the complexity behind organizational change efforts, the continued success of the organization may be secured. Obviously there are many other factors involved in success, but being able to quickly adapt to the changing environment is necessary and these main points are there to help in aiding the change efforts.

Case Study
Please watch the video at the link below and consider the questions that follow.

Video Link: [http://www.youtube.com/watch?v=vWK_D9m6frs](http://www.youtube.com/watch?v=vWK_D9m6frs) (Duration: 4 minutes)

1. Why was it necessary for the bank to change?
2. How did the bank recognize the need for this change?
3. What type of research did the bank engage in before completing the change?
4. How did the bank introduce new products?
5. How did the bank measure the success of the change?
References
2. "Dissemination - Putting Evidence Into Action - UNC Lineberger Comprehensive Cancer Center".
12. "Organizational Culture", Free Management Library. URL:


    (retrieved March 2009).

Chapter 5 – ROLES IN CHANGE MANAGEMENT

[Authors]
Bing-Yi Lin, Yu-Chin Hung
Pei-Wen Huang
Rachel Hungerford
Shreyas Verma

[Learning Objectives]
In this chapter, you will learn:
✓ Key roles in the change management process

[Introduction]

Change management consists of the following five fundamentals:

- Awareness of why the change is needed
- Desire to support and participate in the change
- Knowledge of how to change
- Ability to implement new skills and behaviors
- Reinforcement to sustain the change

In chapter four, you learned that change readiness is the ability for an organization to change. You also learned how to determine if an organization is ready for change through examination of company culture, how to understand the organizational dynamic of change, and how to gauge the perception of change within the organization. In this chapter, you will learn the nine basic change management roles and how they interact with each other through examples and case studies.
The duty of change management is to align the stakeholders in an organization. In order to do that, it is necessary to understand the different roles that people play in implementing change, how they work together, and how to successfully implement change in the organization. Although there can be specific roles within large-scale change management projects, in most cases, these roles will not be formally assigned. Smaller projects will engage individuals in these roles informally.

It is important for each of the roles to work together and be in agreement in order for a change to successfully take place. Yuttaponsontorn, Desouza, & Braganza discuss the importance of aligning the stakeholders.

“Each stakeholder group might have different views of the project, its goals, its deliverables, and even its costs. Moreover, the conflicts that occur among stakeholder groups, and even within these groups, can detract attention and energy away from the innovation or the essence of the project.”

In order for a change to be successful it is imperative that the change is generally supported and those involved in the change have similar views on how to execute it. Yuttaponsontorn et al. go on to say, “Consequently, organizations should consider each stake-holder group, examine their interests, and respond to these interests.” The importance of the change manager comes into effect, as he/she is responsible for collecting feedback from the many stakeholders and keeping the project within its goals.

One case that illustrates the roles in change management is the Seattle Monorail project. The Seattle Monorail Project (SMP) was a large project taken on by the city of Seattle to create a monorail system that would serve the greater Seattle community in an effort to reduce the traffic congestion.

---

In the case of the Seattle Monorail Project, the stakeholders were not aligned. Yuttaponsontorn et al. write about the challenges in uniting the stakeholders:

“SMP had strong support from some stakeholders, and these acted in ways that promoted the development of the monorail; other stakeholders were against the monorail and took actions to halt the development. There were yet other stakeholders who were neutral but could be swayed potentially to move in one direction or the other. Some stakeholders changed their position over time.”

This example illustrates the complexity involved in the change process. Strong leadership is crucial to create a successful strategy that meets all deliverables.

We will now look at roles in change management to understand the various players involved in an organization going through a change.

[Main Content]

- Key roles in Change Management (consider that depending on the size of the organization, the same person(s) may fulfill more than one role)

<table>
<thead>
<tr>
<th>Change Manager/Leader</th>
<th>Change Agent</th>
<th>Champion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager</td>
<td>Sponsor</td>
<td>Enabler</td>
</tr>
<tr>
<td>Target</td>
<td>Participant</td>
<td>Consultant</td>
</tr>
</tbody>
</table>

Figure 1: Roles in Change management

a. **Change Manager/Leader**

Possibly the most important role is the change manager. The change manager is in control of planning and leading the change. In order to successfully implement the change within an organization, the change manager needs to identify the various roles and responsibilities of all the people involved in the change, and ensure all people are engaged in the process.

Serbrenia and Robert Sims, in the book *Changing the Way We Manage Change*, comment on leadership and change, “Nothing will derail a program faster than absence of leadership. If the presumptive leaders lack credibility or credentials, demand politically acceptable solutions, or can’t bring the rest of the management team to consensus, the whole effort is likely to be futile.”

The change manager must not only understand the roles that people play in an organizational change, but they also need to know, “how organizational structures impact the relationships of those involved, and ultimately, the success of the project.”

The role of the change manager in the Seattle Monorail Project was assumed by the City of Seattle. The City of Seattle would be primarily in charge of organizing the change, calculating a budget, raising funds for the project, and seeing that the execution is on schedule and successful. Their motto was, “You talk back, we listen”, to gain feedback and address voters’ concerns. It was the City of Seattle’s duty to lead the sponsors and participants through a new direction in order to solve the current traffic problems.

---


The case of the Seattle Monorail Project was, however, a failure. There were many financial considerations that were overlooked. Desouza, etc. comments on some of the reasons this project may have failed:

“"The underlying reasons for the failure of technology-based innovation projects often have little to do with the technology itself. Instead, factors for failure are usually associated with organizational change issues, such as poor leadership, unclear strategy, poorly communicated goals, ineffective project management, invisible sponsorship, no common language and vocabulary, loss of business engagement, and inflexible structure and hierarchy."”

The Seattle Monorail project would have turned out differently if the structure and leadership had been executed differently from the beginning. It is important for a change manager(s) to ensure that the various roles involved in a change are aligned even before progressing ahead otherwise the change is likely to fail.

b. **Change Agent**

Change agents manage change implementation details on behalf of the authorizing sponsor. They absolutely have to support the change because pushing the change cases is their responsibility. Sims and Sims comment on how a change manager can obtain the most potential from a change agent:

“"Empowering new change agents means nothing more than maximizing employee involvement in every part of the organization. Employee involvement increases each employee’s responsibilities as a change agent... When employees take responsibility for change, they help organizations better address the obstacles that need

---

to be overcome if we are to increase the success rate of change efforts.”

Change agents assist the change manager in the change. They are likely to be mid-level managers, but do not necessarily need to be. They accept higher-level manager’s ideas, transfer those ideas into a real plan, and explain those plans to the staff.

For instance, consider a case where a University wants to implement a change in a school’s calendar from quarter to semester. In this case, any manager handling a sub function in the change process or the members in the change management team, who are responsible for carrying out the tasks related to the change, would fall in this category. They are assigned certain duties to carry out which contributes in making the change process successful.

In the case with the Seattle Monorail Project, the change agents would be the Seattle activists and volunteers whom proposed initiatives 41 and 53, a “40-mile-long monorail system across the city”. The volunteers and activists acted on the needs and desires of the sponsors (the voters) to take on the change they were proposing, which was approved and gained 53% of the vote. Seattle was enduring a traffic crisis and needed a solution to ease the burden it was putting on commuters. After the vote was passed, the change agents needed to follow up with the change to insure it is successful.

c. Champion

Champions have a vested interest in the change and want the change implementation to be successful. They believe in the change and will hence support it. A champion could

---

be any level staff in an organization, but they do not necessarily propose the change. For example, a senior executive who then assigns one of his staff or managers to champion the change through the organization may propose a change.

Consider a products-based organization transitioning from a manual order processing system to an online or web-based form processing system. A champion for this change could be a manager of the sales executive team, who will be responsible for reporting the proceedings of implementation of the project to a senior executive. They would also at the same time communicate with the affected employees about the benefits of undergoing such a change in the longer run.

In changing the school’s calendar case, the dean of a school is a champion. Because he or she believes the change will bring benefit to the university, he or she will therefore support the change. In the changing process, he or she will need to monitor every step, solve potential problems and make sure the change will succeed. It is important that he or she believes the change will bring benefit to the university.

Likewise, an example from the Seattle Monorail Project would be the group “The Friends of the Monorail”. They operate a website that distributes monorail-related news, “facilitating discussions about monorails,” have e-mail discussion groups, and encourage people to become members of the organization.\(^{42}\) They champion the monorail because they believe the change will be beneficial. The spread useful information to the stakeholders and inform them of the advantages of the change.

d. **Project Manager**

The project manager is in charge of the planning and implementing of various individual projects within the organization. The project manager

---

would lead the project management team to successfully complete the
tasks within the broader scope of the change. They would likely be
assigned to delegate the strategy within one facet of the change to take
place.

For example, if an organization were to implement new company-wide
software, many changes would ensue. One project manager would be in
charge of organizing the training and coordination of outside experts to
instruct the staff on the new system. Another project manager would be in
charge of the switchover that would occur on the physical computer
system. The project management team would assist in coordinating and
following tasks delivered by the change manager.

Additionally, in the example with the Seattle Monorail Project, a project
manager’s role would have taken place if the project had been undertaken,
which it had not. However, one example of a project manager would have
been the SMP staff members who were be responsible for development of
the project and helped the seniors managers to make decision and
recommend contractors based on their assessment.

e. Sponsor

Sponsors are those within the organization who authorize
and/or reinforce the change. The sponsor has the
capability to commit all resources required to implement
the change successfully. The sponsor will also enforce
behavioral changes that are required to make the change
effective.

Most sponsors are the high-level managers. They create
the ideas and assign the mission to the lower level
managers.

In changing the school’s calendar case, every board
member of the university is sponsor. They can decide to
give resource to change the school calendar from quarter

---

Retrieved February 2008, from Business Performance:
http://www.businessperform.com/html/change_program_roles.html
to semester. They also can use their connection to help the change to be successful.

For the Seattle Monorail case, the SMP Board, which consisted of members that included the chairman and the panel of executives, would be the sponsors. Additionally, the sponsors of the project include the voters of Seattle, whom fund and vote on budget initiatives.

f. **Enabler**

Enablers are senior management team members and members of the oversight group (e.g., Management Steering Group) who set up the environment for the change to be successful. They would monitor working group progress and needs, serve as advocates for working group interests, remove external obstacles to achieving the group’s goals, and represent working group interests with the oversight group.

In changing the school calendar case, the President plays the role of an enabler. He/she will bring the board’s decision and take the responsibility to make the change successful. The president might not have to do the general affairs, but he/she needs to make sure the decision is well understood by every member in the university.

g. **Target**

In any change management process targets play a pivotal role. The people whose day-to-day job will change as a result of the project are considered as targets. Some will support the change while others will resist it. They are typically expected to behave differently in the changed organization. Therefore, it is necessary to take the targets into confidence because their commitment and support are critical to the success of the change implementation. They should feel positive about the change that is about to happen. They are potential allies and will likely assume other essential roles.

Targets could be any level staff in an organization. They are the people whom the change management team needs
to spend time on at the beginning and whose trust and support must be won over. Consider an example of an R&D department of a software firm that receives grants and funding from the firm, in order to carry on with their quest of finding new and competitive products. A change in policy of the management that results in budget cuts for the fiscal year in research would affect the researchers as well as the other staff and employees working for that department. This may be a result of a loss in faith in the abilities of the department, which may results in resistance or disappointed employees. Therefore it may be necessary for the management to take those people into confidence and explain the reason for the cuts, so that their R&D department is not affected greatly with this change.

In the case of Seattle Monorail project, the Seattle citizens would represent a target group. Within that same target group we would have multiple sub targets like potential commuters, taxpayers and voters.

h. Participant

Participants are employees who are actively involved in the process of change management. Depending on the scale and scope of the impending change, participants can vary from only a single unit of the organization that operates mostly independently to several units that operate in tandem and therefore will have to work simultaneously in order to make the change take effect. Thus in any given change, there may be any number of employees that may be involved, depending on the kind of change management process.

For example, consider the same example of replacing the order processing system for an organization from a manual system to an online or web-based form, which results in faster order processing. This change, although large, may affect only a part of sales department that deal with the transactions.

Another example, which will involve a wider range of participants, could be a merger between two different companies that would results in major shifts in various
levels and departments in the company carrying out the merger.

In other situations, all staff in the organization may be participants. For instance, if a university planned to change its school calendar from quarter to semester, every member of the university would be a participant. Even the cleaning staff would need to adapt their schedule to account for the change of the school calendar.

i. Consultant

Consultants are external advisors. When big businesses go through major changes, it is often necessary to bring in outside experts to help transition the organization. Consultants are brought in to aid an organization through change and help them develop important skills. Sims comments on a consultant’s role, “Consultants need to help organizations institutionalize ways to nurture a culture characterized by far greater individual and organizational entrepreneurship”. 

Some aspects consultants help organizations improve include, enhancing customer satisfaction, helping the organization have the confidence to make big decisions. According to Sims, a consultant will help an organization “understand the gap between the new marketplace with its new needs and expectations and the organizations’ current products, services, processes, and policies”. A consultant can have a difficult job because they have to teach their clients how to “unlearn” the old ways, in order to learn the new structure of the organization.

For instance, in the Seattle Monorail example, Team Monorail and Cascadia Monorail Company LLC, which submitted proposals under the Design-Build-Operate-Maintain (DBOM) procurement approach, were the companies that assumed the role of consultants. If the project did take place then Team monorail and Cascadia Monorail Company would have facilitated specific projects concerning the construction of the monorail.

---

Figure 2: Hierarchy in the roles of change management

Regarding the nine roles, first of all, there might be a hierarchical relationship among Sponsors, Change Agents and Enablers.

For example, a sponsor sends out a message to initialize a change because he or she has the ability to authorize it. He or she assigns a Change leader/manager who is a member of the top-level management and has the responsibility of making sure that the company’s transition in terms of the impending change is carried out smoothly and effectively as desired by the sponsor. Like in any project, this responsibility to overseeing the change objectives lies with the Change manager. He or she acts as the liaison between the Sponsor and the rest of the organization – people who will be implementing the change or will be affected by it in some way. Managing the process of change is similar to managing a project and therefore requires a project manager. He or she has the authority over the resources required for completing the tasks assigned to him. He or she also plans project schedule and keeps track of the project implementation, so that its meets the change objectives as defined by the organization. He or she works closely with the Change manager.
and helps in translation of the change policies into actionable tasks. He or she is also responsible for building the project management team that carries out these tasks and keeps the project on schedule. Depending on the skill set required in implementing the change, the organization may seek the help of a consultant. A consultant is an outside expert the works closely with the change management team, and uses his or her knowledge and past experience and helps them in learning new skills that would be required to carry out the impending change tasks. And then a change agent will plan details of change implementation on behalf of the authorizing sponsor. Finally, enablers are the people who actually monitor and manage the whole process of change implementation. Enablers are members of change management team and they might be the bridge between the “boss” and the “working group”.

As for Participants, Champions and Targets, everyone whoever is involved in this change process is a participant; champions are the people that already support this change at the first place; targets play very important roles because they are the people who will be affected in the case the change gets implemented. Therefore these are the people with whom the change management team needs to spend more time on at the beginning and whose trust and support must be won over. Without (Yuttaponsontorn, Desouza, & Braganza, 2008) their confidence, the support and cooperation required for implementing the tasks of change management will be difficult to achieve, and may encounter some resistance. Also the sponsor needs to engage all the stakeholders to ensure change will happen effectively. Communication is one of the most important tools they can use. Having an understanding of the roles would help the sponsor set up the change for success, such as choosing a person for the enabler role and ensuring he/she understands their part.

Changes do not always mean important events like merging other company or hiring a new CEO. Changes can be as small as changing weekly report forms, the color of PowerPoint’s background or the location of coffee makers. In fact, changes are everywhere and more than you think before. The nine roles are flexible and changeable; in different case the roles will be different. For example, when the sales department plans to
change its weekly report form, the “participants” would be only staff in sales department but not whole the company.

[Conclusion]

In this chapter we discussed the different roles in change management. These roles are the building blocks for a change management process. There are nine major roles: Change Leader/Manager, Change Agent, Champion, Project Manager, Target, Sponsor, Enabler, Participant and Consultant. These roles are flexible and changeable; these roles and their spans may overlap, i.e. one or more members may play a single role of change management and one member in the change management process may play more than one role. The efforts required for the change management process to be successful needs to be in unison. The managers of each changes case should be sensitive about the difference between situations and take different strategy. The plans and audit compliance should be built on the base of its strategy. In other words, strategy, plans and audit compliance relate to each other. The manager should pay close attention to on the relation between strategy, plans and audit compliance to make sure the change management case succeed.

- Case study - PLP’s agile information system

PLP is a supporting organization in the University of Ranier that provides technical supporting for 51 different language courses. Its major missions are:

- Providing access to audio, video, satellite and computer-assisted language learning resources.
- Training instructors, graduate students and staff to create and evaluate those resources.
- Collaborating with lecturers in language learning pedagogy and technologies.
- Managing 7 different computer laboratories and classrooms for those language courses.

Besides the six work-study students whose main responsibility is conducting lab and classroom routines, there are another 7 Content
Agents who are either PhDs or graduate students in the university. Each of the agents would co-work with 7 to 8 different language courses’ lecturers. The agents prepare the teaching materials for the lecturers, manage the database of the course materials and train the lecturers to use PLP’s technology resources (including software and equipments). Most of the time, the agents are working individually. Only in some big projects they would work together. Since the agents are students, PLP has to hire new agents when they graduate or leave. The agents also need to work with the six work-study students to help the lecturers use computer labs and several equipments in recording conversation practices, uploading videos and setting up video conferences, and etc.

Figure1: The Organization Chart of the PLP

The original organization structure has the following problems:

- The Chief Engineer is the only person who knows every detail’s of each agent’s job and he needs to spend 1 to 2 months on training every new agents.
- Some lecturers have complained to the director of PLP that it is difficult to solve
problems when their co-working agent is absent or is not yet familiar with the job responsibilities.

- Only the 7 agents are the communication channels between PLP and the lecturers, therefore the Lab Manager and the six work-study students always feel confused about different lecturers’ needs and requests.

In order to solve the above problem, the director hires a retired engineer from Microsoft to be the Senior Manager who supervises the 7 Content Agents. This Senior Manager who just got on board asks those agents to share their database with each other and leave comments on each other’s website. He asks the agents to respond ASAP after they see the comments. Moreover, the Senior Manager requests that every agent spend 2 hours per week to learn other agents’ jobs and prepare a report of their learning process to present in their weekly meetings.

**Discussion Questions:**

- In this case, who is the change manager? Who is the change agent? Who is the champion? Who is the project manager? Who is the target? Who is the participant? Who is the enabler?
- Which parts of relationship between the above roles have problems?
- If you are the director of PLP or the new senior manager, what will you do?
- What’s the potential impact after hiring the new senior manager?

**Case Study: Procter & Gamble: Organization 2005 and Beyond**

In 1999, the Procter & Gamble Company (P&G), a global household products company with 250 brand-name household products, had launched a five-year corporation-restructuring program “Organization 2005.” The program had four main goals:

---

47 Mackenzie, Susan., The Procter & Gamble Company, Accounting For Organization 2005, Harvard
• Improve P&G’s competitive position
• Generate operating efficiencies through more ambitious goals
• Nurture greater innovation
• Reduce time to market.

At the first few years, P&G hit the rock bottom when revenue growth was slowing and half the brands were lagging behind as well as the competitors were moving fast with innovations. As management and board of directors, should the company exercise Organization 2005 program when the company hit the rock bottom?

**Main changes in Organization 2005**

This project redesigned organization structure from geographically based structure to global product lines based structure as Figure 2. But the result turned out to be a poor achievement, which resulted higher raw materials costs, lower realization and increasing competition from many generic brands. Consequently, CEO Durk I. Jager, who was promoted in 1999 resigned in 2000. A.G. Lafley, head of the global Beauty Care and North America division, succeeded Jager as chief executive. Soon after the CEO transition, Lafley announced several operations to save the project:

• Assigned the heads of P&G’s operating businesses and corporate functions hailed from 13 different countries and the average age of the Global Leadership Council was down to 49.

• Focused more on big countries and big products

• Chose P&G’s key brands that generated over $1 billion in sales and set higher priority to these key brands.

_Business School Case, February 2002._

• Expanded program that would further reduce overhead and manufacturing costs.
• Eliminate the numbers of employees subjected to relocation.

Figure 2. Main changes in the Organization 2005 project

Discussion Questions:

- In this case, who is the change manager? Who is the change agent? Who is the champion? Who is the project manager? Who is the target? Who is the participant? Who is the enabler?
- Which parts of relationship between the above roles have problems?
- What are the major possible problems when launching big reorganization project, like Organization 2005?
- What will you do if you were the CEO, and why?
References:


2. http://www.businessinsights.biz


Chapter 6 Developing the Vision and Plan for Change

Written by: Chuan Yu, Seung-Yon Yu, Sheng-Yi Chou, and Jared Cheng, Dong Joon Lee, Andrew Neang, and Hyunjong (Joe) Yun

Chapter Outline

1. Objective
2. Introduction
3. Developing the Vision and Roadmap
   3.1. Mission Statement
   3.2. Vision Statement
   3.3. Value Statement
   3.4. Internal and External Analysis
   3.5. Why Road Mapping?
4. The Work Plan for Change
   4.1. Definition
   4.2. Argument
   4.3. How to Implement it
      4.3.1. Process
      4.3.2. Obstacles
      4.3.3. Support
      4.3.4. Detail Guidelines
   4.4. Example to Support it
5. The Communication Strategy
   5.1. Definition
   5.2. Argument
   5.3. How to Implement it
   5.4. Evaluation
   5.5. Crisis Communication Management
      5.5.1. Managing Crisis
      5.5.2. Preventing Crisis
      5.5.3. Layoffs
      5.5.4. Mergers and Acquisitions
6. Empowering, Training, and Coaching
   6.1. Change Agents
   6.2. Changing Perception
7. Holding People Accountable
   7.1. Defining Responsibility
   7.2. Metrics and Benchmarks
8. Conclusion
9. Case Study

1. Objective
In this chapter you will learn:

- Definitions of Mission, Vision and Value statement, and their importance to organizations
- Necessity of internal & external analysis to develop a clear vision and roadmap
- Definition of business plan for change
- Process of developing a work plan for change
- Factors that should be considered and evaluated when making and conducting a work plan
- Obstacles and difficulties organization usually have when executing the plan
- Supports that a complete work plan should have
- The importance of communication in organizational change
- The objectives, approach, and implementation of a communication strategy
- The evaluation that enhance communication strategy
- The strategies to empower change agents
- The methods to change perceptions of other people
- The methods to identify who owns what responsibilities
- The methods to establish metrics to measure performance

2. Introduction
In this chapter, we will discuss about the procedures for leading changes.

First, we talked about developing the organization's vision and roadmap. There are mission, vision, and value statement that define an organization's goal. Furthermore, we provide insight on when these statements are effective and ineffective to helping organizational change. We briefly explained about the utilization of internal and external analysis as a premise for planning changes. Also defined what road mapping is and why is important to the organizations.

When developing work plans also call business plans, we should know what our strengths and opportunities are. Based on the analyses of 3M-Man power, Market, and Money, we could develop the plan that would work the best for us. Due to limited resources and time, an organization needs to utilize our plan effectively by having priorities. In addition, when it comes to processing the plan, there are some obstacles that an organization will encounter, thus some support plans should be developed.

Communication is important when an organization is going through a change. A leading team usually develops a communication strategy to deal with foreseen problems invoked by the change. A communication strategy is initiated by a set of objectives. The leading team then approaches these objectives by analyzing the WHO, WHAT, WHEN, HOW, WHERE, communication tips, and the stages of change management, and then develop a strategy that can be best applied throughout the change. A communication strategy’s effectiveness is evaluated by measuring user feedbacks, which serve as the foundation for improving the current communication strategy. This section also provides insight on managing communication during times of crisis, layoffs, mergers, and acquisitions.

Then we talked about empowering, training, and coaching for both change agents and people who need to align themselves to changes initiated by the change agents. We introduced the strategies to empower change agents and the methods along with tools to change perception of the people.

Finally, we addressed the issue of holding people accountable throughout the whole change process – Methods that identify each person’s responsibilities based on his/her role and the metrics to measure people’s performance.
3. Developing the Vision and Roadmap

For a successful change management, developing a clear vision and roadmap and keeping the people in the organization aware of the organization’s purpose are essential. Defining a vision helps the people to understand the organization’s ultimate goal and guide them to the desirable direction. Thus, it is very important to develop an effective vision for the first step of the change management.

What is an effective vision? J. Kotter, Harvard Business School Professor, who is widely regarded as an authority on leadership and change, described the characteristics of an effective vision in his book, Leading Change:

- Imaginable: Conveys a picture of what the future will look like
- Desirable: Appeals to the long-term interests of employees, customers, stockholders, and others who have a stake in the enterprise
- Feasible: Comprises realistic, attainable goals
- Focused: Is clear enough to provide guidance in decision making
- Flexible: Is general enough to allow individual initiative and alternative responses in light of changing conditions
- Communicable: Is easy to communicate; can be successfully explained within five minutes (Kotter, Leading Change, 1996)

The basic approach for setting the vision and roadmap is to create statements that describe an organization’s goal. In our context we discuss the ‘Mission Statement’, ‘Vision Statement’, and ‘Value Statement’ in organizations.

3.1. Mission Statement

3.1.1. Definition

A mission statement is a written declaration that tells who the organization is, what it does, and how it will get there (Williams, 2008, p.3). It serves to attach meaning to an organization's operations beyond profit and loss statements by: 1) filtering what is important from what is not; 2) identifying which markets will be served and how; and 3) communicating a sense of intended direction of where a firm is headed, how it plans to get there, what its priorities, values, and beliefs are, and how it is distinctive (Abrahams, 1995). These statements often address a wide-ranging audience that includes management, employees, customers, shareholders, and other residents of the communities and countries where a company does business (Williams, 2008, p.3). A good mission statement is based on a good understanding of organization’s role, and articulates the objective in convincing manner using proactive verbs. Here are some examples of real-world companies’ Mission Statements:
“To solve unsolved problems innovatively” (3M)
“To give ordinary folk the chance to buy the same thing as rich people.” (Wal-Mart)
“To make people happy.” (Walt Disney)
“To push the leading edge of aviation, taking huge challenges doing what others cannot do” (Boeing)
“To organize the world’s information and make it universally accessible and useful.” (Google)
“To provide society with superior products and services by developing innovations and solutions that improve the quality of life and satisfy customer needs, and to provide employees with meaningful work and advancement opportunities, and investors with a superior rate of return.” (Merck)

Normally, a Mission Statement represents the broadest perspective of an organization’s mission; however, a Mission Statement can be also very specific. The former are like above instances, but the latter specifically defines the key measures of the organization’s success. Sometimes it uses specific numbers.

**Mission Statement**

Take an example of a product store whose winning idea is “farm freshness”. The owner identifies two keys measurements of her success: freshness and customer satisfaction. She creates her mission statement – which is the action goal that combines the winning idea and measures of success. Here is the mission statement of the product store:

“To become the number one produce store in Main Street by selling the highest quality, freshest farm produce, from farm to customer in under 24 hours on 75% of our range and with 98% customer satisfaction.”

**3.1.2. Argument**

An effective mission statement resonates with the people working in and for the organization by expressing the purpose in a manner that inspires commitment and innovation. It communicates the importance of an organization's internal activities and the overarching reasons why employees should value their work there (Radkte, 1998, p.1). Furthermore, it allows the organization to keep employees focused and it forms a basis for making tactical decisions. Beneficial decisions to the organization can include preserving or strengthening the company's unique competitive niche, and preventing panic and unwise spending responses to meet new competitors that enter the market (Developing a Mission Statement, p.1). Externally, publishing an effective mission statement provides a sense of stability and security as stakeholders can understand what to expect from the organization (Bobinski, 2005, p.1). The overall effectiveness of a mission statement hinges on being adopted by the organization, its employees, and
stakeholders. Effective mission statements usually feature four main characteristics: 1) simple, declarative statements free of jargon, 2) honest and realistic, 3) communicates expectations and ethics, and 4) periodically updated (Mission Statement Law & Legal Definition, p.1)

An ineffective mission statement is usually not remembered by people inside and outside the organization rendering them useless. Often statements are jargon-heavy and contain vague generalizations that could apply to almost any company. The paragraphs themselves are too long which make it difficult to be recalled by anyone. An unclear mission statement leads to a loss in shared focus. More often than not, individual missions tend to rise up and compete with each other which results in conflicts, delays, and lost revenues (Bobinski, 2005, p.1). Another factor that often results in mission statements becoming an ineffective is when vision and mission statements are intermixed which cloud their practicality. Rather than having a mission statement that addresses what an organization has to do to achieve their goals, the statement focuses on where the organization sees itself and wants to go in the future. Lastly, a mission statement loses its effectiveness when an organization places far greater weight to the mission statement's public relations function than to its value as a management tool to help the business overcome obstacles and challenges (Lewis, 1995, p.1).

3.1.3. How to Implement it

A well-crafted mission statement alone will not bring about change in an organization. Implementation is the essential factor that enables change to be made possible. Everything in the practice must be based upon and measured against the mission statement (Shields, 2006, p.1). Shown below is a five part framework that highlights how to develop and put mission statements into practice.

1. Orientation Process
The purpose of the orientation process is to ensure that individuals in the organization are aware of their significance and role in planning. The goal is to render differences in opinion, which is a vital part of achieving an appropriate mission statement. Understanding the significance of the mission statement to strategic management and an introduction into the development process used to design an effective mission statement for their organization is vital to achieving an appropriate mission statement for a firm (Cochran, 2008, p.3).

2. Component Analysis
Once an understanding of the importance of a mission statement to the organization has been established, the firm must identify components to be addressed in the statement. Below is a guideline of components that firms may seek to address in their mission statement:

1). Customers: Who are the enterprise’s present and future customers?
2). Products or services: What are the firm’s major products or services?

3). Markets: Where does the firm compete?

4). Technology: What is the firm’s basic technology?

5). Concern for survival, growth, and profitability: What is the firm’s attitude towards economic goals?

6). Philosophy: What are the basic beliefs, values, aspirations, and philosophical priorities of the firm?

7). Self-concepts: What are the firm’s major strengths and competitive advantages?

8). Concern for public image: What is the firm’s public image?

(Cochran, 2008, p.3)

3. Communication Analysis
Deciding how and to whom the mission statement should be communicated is critical. First, organizations must determine if the statement is written in a clear and concise manner. Readability by the target audience is important. Mission statements must avoid the over usage of buzz words and jargon to ensure that the mission can be easily articulated and remembered (Mission Statement Law & Legal Definition). Second, the organization must evaluate the mission statement using words that describe the feelings of inspiration and motivation management wants to convey. Mission statements are most effective when it can arouse emotions for an organization. A good mission statement makes people feel that an organization is successful, knows where it is going, and is worthy of the reader’s time, support, and investment (Cochran, 2008, p.8).

4. Applicability Analysis
The purpose of the applicability analysis is to measure how effective or ineffective mission statements are in dealing with a given organizational issues. By creating various test scenarios leaders can assess how well managers understand the direction provided through the statement as well as their ability to apply the mission statement to the situation (Cochran, 2008, p.8). The results of the analysis enable management to refine the mission statement until it can be easily understood and adhered to.

5. Putting mission statements into practice
For a great mission statement to go beyond being words on a paper, it requires the commitment of both employees and leaders of the organization. It is crucial to allow employees from all levels of the organization to contribute to development of the mission to create a sense of ownership. An example could include helping indentify the strengths and limitations of the organization during the initial stages of creating a mission statement. Leaders must take the initiative to educate employees with regards to contents of the mission statement and what it means for the organization as a whole. They must communicate using language that is clear and resonates with employees (Halder, 2006,
Leaders function as role models in the organization and must ensure their actions align with the mission of the organization to set precedents for employees.

Below figure shows steps for developing mission statement.

**Figure 6.1 Steps for Developing Mission Statement**

1. Identify your organization’s “winning idea”. This is the idea or approach that will make your organization stand out from its competitors, and it is the reason why customers will come to you and not your competitors.
2. Identify the key measures of your success. Make sure to choose the most important measures.
3. Combine your winning idea and success measures into a tangible and measurable goal.
4. Refine the words until you have a concise and precise statement of your mission, which expresses your ideas, measures, and desired results.

Example: (from MindTools)

**3.1.4. Example to Support it**
These examples reflect good mission statements which have benefited their respective organizations in terms of inspiring, guiding daily behavior, establishing priorities, and differentiating.

1. Inspiring
NASA’s mission statement for the Apollo project was adopted from President John F. Kennedy’s 1961 speech in which he stated: "This nation should commit itself to achieving the goal, before this decade is out, of landing a man on the Moon and returning him safely to Earth" (Perkins, 2008, p.1) This single sentence resonates with the audience inspiring a generation to believe that landing a man on the moon was possible. NASA was able to fulfill their goal in July 16, 1969 which shows the benefit of a good mission statement.

2. Guiding daily behavior
Ritz-Carlton’s mission statement highlights the purpose of the organization to provide “extraordinary customer service” This resulted in the empowerment of front-line employees to solve most customer problems without seeking supervisor approval. By guiding daily behavior to focus consistently on customer service the organization has won Ritz-Carlton the coveted Malcolm Baldridge National Quality Award twice (Perkins, 2008, p.1).

3. Establishing priorities
In 1980, Scandinavian Airlines changed its mission statement "To become the best airline in the world for the frequent business traveler." The reasoning behind this move was to try and stop the firm from losing money continually. As a result, they focused solely on providing flights for business travelers by maintaining more flights through the use of smaller planes than their competitors. By 1983, they became highly profitable and were named “Airline of the Year” by Fortune magazine (Perkin, 2008, p.1).

4. Differentiating
CVS pharmacy found itself threatened by larger competitors like Costco and Wal-Mart who focused on providing pharmaceutical services at a low cost. Since CVS could not effectively compete in this segment, the organization decided to differentiate itself by focusing on service. CVS states “We will be the easiest pharmacy retailer for customers to use” (Perkin, 2008, p.1).

3.2. Vision Statement

3.2.1. Definition
Literal definition of a vision statement is overall goal and value of an organization. It concentrates on the future of the organization itself. This definition sounds very similar to the definition of a mission statement. However, existing differences between these two statements is that a vision statement is about what an organization wants to become, while a mission statement concerns what an organization is all about. Though a vision statement does not tell you how you are going to get there, it does set the direction for your business planning.

“For employees, it gives direction about how they are expected to behave and inspires them to give their best. Shared with customers, it shapes customers’ understanding of why they should work with the organization” (Mindtools).

A vision statement also has an intrinsic definition which is a concept “to unify a group around a task” (Tarnow, 2001, p.138). A unified group has much more potential power to beat their competitors than normal groups (Deetz, 1997, p.191) and a vision statement can help a group to be a unified group. Here are examples. First, an eleven-year-old boys’ handball team can play games with much better results if they have orange jerseys. In this case, orange jerseys help the boys’ team to unify the team members and a vision statement serves the same function as the team jersey (Tarnow, 2001, p.138). Second, Kenneth C. Bator, president of Bator Training & Consulting, Inc., mentioned that “business is simply a game- a game we play to win fairly and by the rules, but a game nonetheless” and he provided phrases: “Steel Curtain” and “Kill Miller” (Bator, 2003, p.4). Each of these two phrases also works as a vision statement for the Pittsburgh Steelers football club, and the Anheuser Busch beer company. The former describes a strong defense line of the Steelers and this phrase helps the team to make solid teamwork. The latter represents a concept to beat a competitor. This concept also offers unified teamwork toward a vision for Anheuser Busch.

**Vision Statement**

Using the example of mission statement developed for Farm Fresh Produce, the owner examines what she, her customers and her employees’ value about her mission.

The four most important things she identifies are: freshness, healthiness, tastiness and “local-ness” of the produce. Here’s the Vision Statement she creates and shares with employees, customers and farmers alike:

“We help the families of Main Town live happier and healthier lives by providing the freshest, tastiest and most nutritious local produce: From local farms to your table in under 24 hours.”

**3.2.2. Argument**
A vision statement focuses on what an organization wants to become in the future so that an organization’s owners want their employees to know and keep in mind their vision statement. In most companies, however, the vision statement only exists in paper form and their employees do not even know the existence of the statement. Although they know their statement, they do not remember the contents. Therefore, a vision statement should be easy to act upon and remember for the employees.

In order to create an effective vision statement, organizations need to understand unifying actions of the unified group. After that, they need to create an effective vision statement based on their understanding of the action. The unifying action is a competitive action against their competitor, identifies the action vaguely because of a longer-lasting goal and group, an unspecific group boundary, and inclusive interests of the organization, and includes social categorization (Tarnow, 2001, p.140). Depending on the definition of unifying action, most current vision statements “can be revised to improve the force of group formation” (Tarnow, 2001, p.139). The modified statement can be accessed to employees more easily and effectively. Here is an example:

Vision Statement: “Lead in bringing interactive entertainment to a mass market.”

Revised Vision Statement: “We bring interactive entertainment to the world.”

(Tarnow, 2001, p.140)

This revised statement is categorized socially by a word: “we,” and it also has a vague word: “world.” By editing the statement, employees feel that their vision statement is more easily accessible. Therefore organizations’ owners may want to revise their vision statement based on a unifying action. As a result, the employees will remember their vision statement so that they can keep their desired focus on their needs from the mission statement.

Here is another issue of the vision statement. Although most organizations have their own vision statement, they do not use it in the above ways. Simply, their vision statement does not work for their company. It just exists by itself. Therefore many organizations should notice the below situations which happen when a firm does not work with its own vision statement effectively.

- It’s never brought up in strategy or planning sessions.
- Employees who have been with us for more than 30 days can’t tell us what the vision means to them personally or how it relates to their daily priorities.
- We finish the vision thing and move on to other projects.
- Our people tell us in an anonymous survey that our vision statement sounds good but really is useless or meaningless. (Lucas, 1998, p.25)

If an organization meets the above conditions often, the owner of the firm needs to make new vision statement and the employees will need to learn about the importance of the vision statement. Organizations with a vision statement also need to create their
statements with an understanding of a unifying action and they always should try to avoid
the above situations.

3.2.3. How to Implement it

In order to improve the value of a vision statement, leaders of an organization have to put
enough efforts in the process of the implementation. Here are some of the key points to
remember during the process:

- Know who you are
  Before you decide what you want to do, you should know who you are. By
  knowing the answer to this question, you can understand clearly about your core
  values and competencies and then you will get an effective vision statement.
- Review the mission statement
  A mission statement supports a vision statement. When the mission statement
  represents the needs of achievement, the vision statement should describe the
  desire to make the achievement.
- Determine the top two or three achievements
  In order to be successful, this is necessary. When there are clear goals, the
  purpose can be accomplished.
- Define success in the financial industry
  Success can be meant by several standards. For example, it may mean having the
  highest market approval rate or mean being able to beat specific competitor.
- Determine the time frame
  It can make vision statement effective because desired focus would be kept by
  employees.
- Support the implementation of the vision
  If you want it to permeate into organizational life, you must devote your time and

Below figure shows the steps for creating vision statement.
Figure 6.2 **Steps for Creating Vision Statement**

1. Identify your organization’s purpose in terms of the organization’s values.
2. Articulate your dreams and hope for your organization.
3. Refine the words until you have a vision statement inspiring enough to energize and motivate people inside and outside your organization.

Example: (from MindTools)

### 3.2.4. Example to Support it

These are examples of a revised vision statement. As you can see, the revised vision statements are making the statements more competitive and precise. In the first example, the revised statement has the word: “we,” which is adding a social categorization aspect on the statement and by using: “world-wide,” this statement is much more precise and less complex. It also has generality. The second example becomes more motivational by having unified action elements: competitive, vague, and social categorization. The rest of the examples can be similarly edited.

<table>
<thead>
<tr>
<th>Vision Statement</th>
<th>Revised Vision Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow technically and geographically into a world-wide, world-renowned organization.</td>
<td><em>We go world-wide.</em></td>
</tr>
<tr>
<td>Be a survivor and prosper in a heavily and unfairly regulated industry.</td>
<td><em>We survive despite regulation.</em></td>
</tr>
</tbody>
</table>
Be a major force in high performance banking in the community bank arena. We bring you high performance banking.

Lead in providing applications to the construction industry throughout the world. We supply the world’s builders first.

Double in size within five years. We’ll double in five years.

Figure 6.3 Vision Statement can be revised by using unifying action (Tarnow, 2001, p.140).

3.3. Value Statement

3.3.1. Definition

“Values are important in strategic planning because they represent the organization’s desired behavior, character, and culture and how the organization members act in the organization” (Birnbaum, 2004). Thus a Value Statement describes the organization’s principles or beliefs that guide its members, and answers the question: What does the organization stand for, and how does it want to operate? “Both the Mission Statement and Vision Statement reside in a sea of values” (Birnbaum, 2004). That’s because your company’s values influence everything. For example, for any statement, whether mission or vision, to be held and acted upon, must reflect the values of your organization. In addition, values describe what your management team really cares about (Birnbaum, 2004). What values are held? What makes them tick? How would your managers respond to a trade-off between product quality and profit? That’s really a question of value. In other words, a values statement is a specific set of publicly-stated organizational beliefs or concepts. Often these beliefs are stated in writing for all members of the organization, and are shared with other key stakeholders, including the general public (Buchko, 2007, p.37). These statements are commonly referred to as core values, corporate values, or organizational values. It should be noted, though, that the values statement is only the tip of the iceberg when it comes to organizational values – only a fraction of those made visible to everyone. Many businesses create vision and mission statements but overlook the need for a statement of values (Wheeler, 2007, p.1). Unlike the mission statement that states how the company will achieve its vision, a values statement expresses those boundaries that will not be crossed while in the pursuit of the mission statement. In the short term, cutting corners may seem to move the company closer to getting its vision, but in the long term those shortcuts may catch up with you. Your employees need to know that no aspect of your mission statement is worth achieving if it means violating the company's values. Therefore, a value statement might be “We will deliver to our customers what we promise. We will not promise what we cannot deliver. We will keep our employees safe and provide a positive working environment. We will never tolerate unethical or illegal behavior” (Wheeler, 2007, p.1).
**Value Statement**

Example:
“Selling the highest quality natural and organic products available, Supporting team member excellence and happiness, and Caring about our communities and our environment.”
(Whole Foods)

In defining the relation of Mission, Vision, and Values, the Values drive the Vision which in turn drives the Mission.

**Case Study: Johnson & Johnson’s credo**

Johnson & Johnson's credo is a classic example of a values statement that stood the test of time and guided the company through the Tylenol crisis. The company's original statement was written in the 1940s by General Johnson, a World War II hero and business visionary who firmly believed that the role of business was to serve society. Johnson spelled out his ideas in a credo with several "stanzas" describing the responsibilities of business to its various constituencies. The credo started with the customers, then talked about employees and community organizations. Johnson purposely put the stockholders last, knowing it would cause a stir. He pointed out that if you put the public and customers first, you would be more successful than competitors (Buchko, 2007).

**3.3.2. Argument**

In general, organizational values, just like individual ones, can be divided into terminal and instrumental values (Rokeach, 1973). Terminal values refer to desirable end-states and are thus similar to ideals (Maccoby, 1998, p.55) and aspirations (Lencioni, 2002, p.114). The created values put forward by Wenstop and Myrmel (2006) resemble terminal values because they visualize tangible outcomes that different stakeholders suppose from an organization. Instrumental values express how to accomplish terminal values, and other authors have provided a deeper insight into this category. The how-question could be approached both from a behavioral point of view – what one should/should not do? – and from an attitude or character point of view – what one should be like? (Maccoby, 1998, p.55 and Griseri, 1998). For instance, a behavioral...
outcome of the value Teamwork would be that the work in the organization is organized in teams rather than by individual assignments. A character outcome of the same value implies that employees share a strong belief in group synergy; they are team players by nature and are possibly recruited on this basis. Of course, the two approaches are not entirely independent, so the question is rather which one takes priority.

Behavioral values often boil down to normative rules and standards; such values are referred to as permission-to-play values and protected values (Lencioni, 2002, p.114 and Wenstop, 2006, p.679). The characteristics of these values are the absence of emotions and their inability to distinguish an organization from its competitors. For instance, being ethical is something that is expected from all organizations. In contrast, values as character reflect emotions and attitudes; they form the heart of an organization’s culture, which is unique. Character is expressed through core values (Lencioni, 2002, p.114 and Wenstop, 2006, p.679). These function as a backdrop to all activities in the organization and are a source of the company’s uniqueness. A good example of a core value would be mercy and compassion in The Body Shop (Anderson, 1997). Since it goes beyond behavior, it is a way of thinking and a life-style.

In addition, Lencioni (2002, p. 114) talks about accidental values, which reflect employee interests (thus being an element of character), but have little to do with the organization’s actual strategy and basis for success.

It has been suggested that organizational values statements should be about how rather than what to do (Dolan, 2006, Blanchard, 1996). In other words, an efficient values statement belongs to the instrumental side. Further, there seems to be agreement about those minimum standards of behavior or protected values that do not help an organization or its stakeholders (Lencioni, 2002, p. 114, Wenstop, 2006, p. 679).

3.3.3. How to Implement it

To improve the value statement, stakeholders of an organization should put enough efforts in the process of implementation. Here are some of the key steps to remember during the process.
1. Identify the core values of the organization in achieving its mission. Consider values of customers, shareholders, employees and the community. Core values are basic elements of how we go about our work.
2. Establish four to six core values from which the organization would like to operate.
3. Integrate with mission and vision statement and make sure they are closely related together (Mcnamara, 1999).

3.3.4. Example to Support it

Here are some good value statements in successful cases.

1. “In achieving this mission, the men and women of the Fitchburg Police Department value the diversity of our community and are dedicated to the professional and ethical standards we are sworn to uphold. We promote and advocate… - Fitchburg, WI Police department” (WI Police department).

2. “We are committed to operate in a professional manner that is financially responsible, respectful of the environment and which demonstrates high ethical values - all in the best interest of the long-term success of our industry – Berneunion” (Berneunion).

3. “As a company, and as individuals, we value integrity, honesty, openness, personal excellence, constructive self-criticism, continual self-improvement, and mutual respect. We are committed to our customers and partners and have a passion for technology. We take on big challenges, and pride ourselves on seeing them through. We hold ourselves accountable to our customers, shareholders, partners, and employees by honoring our
commitments, providing results, and striving for the highest quality- Microsoft” (Microsoft).

4. Some company use bullet points, simple ways, to easy to see

- Selling the Highest Quality Natural and Organic Products Available
- Satisfying and Delighting Our Customers
- Supporting Team Member Happiness and Excellence
- Creating Wealth through Profits & Growth
- Caring about our Communities & Our Environment
- Creating ongoing win-win partnerships with our suppliers. – Wholefood (Wholefood)

Regardless of how a values or vision statement is developed, a company needs reinforcing mechanisms. This means more than posting a plaque in the lobby or giving out wallet cards with the statement on them. It means developing communication and education programs for employees and making sure performance reward measures are in place. An effective statement is more than window dressing (Walter, 1995).

3.4. Internal and External Analysis

With a clear picture of what the organization needs to achieve, the organization must perform an external and internal analysis.

**External Analysis** - The goal of external analysis is to understand macro- and industry-level trends that impact on the company’s strategy and operations. The external Analysis should including the following:

Macroeconomic Environment Assessment – The external analysis should include assessment on factors in the macroeconomic environment, such as economic growth, interest rates, currency movements, input prices, regulations, etc., that impact the organization.

A **PEST analysis** reflects the political, economic, social, techno-logical, environment and legal components of the macroeconomic environment, is often performed as a tool for this purpose (Click for more information).

Industry-level Examination – The external analysis should conduct an industry-level examination to identifying the opportunities and treats in the industry that the organization presents.

**Five Forces Analysis**, developed by M. E. Porter in Harvard Business School, is a framework that introducing the five forces (the bargaining power of buyers, the
bargaining power of suppliers, the availability of substitutes, the threat of new entrance, and the intensity of industry rivalry) that determine the competitive intensity and therefore attractiveness (i.e. overall industry profitability), to examine industry economics (Click for more information.).

Competitor Assessment – The external analysis should include competitor assessments that determine the strengths and weaknesses of existing or potential competitors. One of the common techniques conducted for this analysis is a competitor array.

A competitor array analysis can be displayed on a two dimensional matrix with competitors along the top and key success factors down the side. Each key success factor is given a weighting that is used to multiply the ranking of each competitor for a particular key success factor. Thus, the results show the weighted assessments of all competitors in different dimensions, as well as overall strength of each competitor relative to each other (Click for more information.).

Internal Analysis – Internal analysis is used to address the organization’s own strengths and weaknesses. Thus it focuses on an organization’s own performance and capabilities.

e.g.) Balance Scorecard (Performance Management Tool), Value Chain (Capability Assessment), see details – Balance Scorecard, Value Chain

Necessity of Internal Analysis
You also need to understand your own internal strengths and weaknesses. This is because the main strengths or weaknesses of an organization could be the internal factors. For example, the strength might be the company’s original product and enthusiastic employees and the weakness might be the lack of financial resources and the inefficient operation system.

SWOT Analysis combines the external and internal analysis to summarize your Strengths, Weaknesses, Opportunities and Threats. You may need to find the Opportunities that could be Strengths in the future, and then think about what to do for the Threats and how to overcome the Weaknesses. (Click for more information.)

3.5. Why Road Mapping?

The goal of the road-mapping is to develop the innovation strategy – to choose and do the right things (Kameoka, 2003). The goal of innovation management is to implement this strategy well. Road-mapping leads to effective project portfolio development and management. It provides for company-wide technological strategy development and technology assessment, as well as division-level project evaluation and strategic aligning.
Road-mapping tools provide also a common language for innovation and building bridges between technologists and business managers within your corporation, and with you major suppliers and customers.

According to a study conducted by GE, successful companies:

- Manage processes, not people. Focus not on what they do, but on how they do it.
- Use techniques (like "process mapping" and "benchmarking") to achieve continuous improvement.
- Value incremental gains.
- Measure performance by customer satisfaction.
- Introduce new products faster than the competition.
- Design new products for efficient manufacture.
- Treat suppliers and customers as partners.
- Manage inventory in superior fashion.

Here are good examples of succeed cases

- **Case in Dell Inc.**

  "We learned to identify our core strengths," says Michael Dell, Founder of Dell Inc. “We wanted to earn a reputation for providing great customer service, as well as great products. Engaging the entire company – from manufacturing to engineering to sales to support staff – in the process of understanding customer requirements became a constant focus of management, energy, training, and employee education” (Dell and Fredman, 2006).

- **Case in Toyota**

  Toyota’s global competitive advantage is based on a corporate philosophy known as the Toyota Production System aimed at systematic elimination of Seven wastes – overproduction, waiting, transportation, inventory, motion, over-processing, defective units – and the implementation of the concepts of continuous flow and customer pull. (Lu, 1991)

- **Case in Google**

  Google is the Internet’s number one search engine today. What is the reason for their remarkable success? It’s beta testing and market learning. They launched a less than perfect service into the market place to get market feedback. Feedback is the key to dominating a market. It also makes great business sense. Google’s competitors were trying to perfect a product by themselves separate from their target market as Google was continuously and rapidly upgrading their original beta version by listening to the customer. (Schmidt and Varian, NA)

- **Case in Corning**
Corning keeps its customers, such as Nortel Networks, end-users, such as AT&T, as well as OEM suppliers well informed of its product development plans. It uses road-mapping as a co-innovation tool that allows customers and suppliers to work together to build products. (Corning Case Study Summary, 2005)

4. The Work Plan for Change

4.1. Definition

A business plan or work plan is a formal statement that summarizes the operational and financial goals of a business and contains the comprehensive plans and budgets showing how the goals are to be realized because the business plan contains detailed financial projections, forecasts about your business’s performance, and marketing plan (Ward, NA). An organization needs to create a business plan for their decision making process because a dynamic business plan can help their decisions making.

4.2. Argument

In order to create effective business plan, organizations’ strategy process is a necessary condition. Nevertheless, many companies run their business plan without detailed strategy process. As a result, the companies do not make deliberate decisions for themselves (Rangan, 2004, p. 115). Another issue is that many organizations except some top performing companies do not have specific position for strategic business executing in executive level so that current chief officers in the organizations have vague responsibility and the business plan has possibilities to run toward unintended direction (Ross, 2007, p. 1).

Strategy process for organizations has four steps: mission statement, operational mission, strategy platform, and programs. First, executive officers create “broad and far reaching” mission statement and it “usually identifies the customer need the organization attempts to serve” (Rangan, 2004, p. 115). The mission statement can inspire funders and workers of the organization and gather attention from them. Second, by creating an operational mission, they get quantitative and narrow goals of mission to make their organization which understands the impact of change (Rangan, 2004, p. 115). Third, strategy platform step sketches “how the operational mission will be achieved, including which programs run and how to run them” (Rangan, 2004, p. 116). Based on the selected programs and
strategies, the goal of organizations can be accomplished. Fourth step is a deeply connected process to third step. In other words, the choice of the programs and strategies is the last step (Rangan, 2004, p. 118). This four steps’ strategy process helps creating effective business plan.

Some top performing companies have a unique executive level employee position which is a Strategic Execution Officer (SEO). Having this employee position can help efficient executing their business plan and prevent pursuing unintended goals in a changing organization (Ross, 2007, p. 1). Here are the major roles for the SEO.

- Build a platform for enterprise processes
- Develop metrics for ensuring performance of the core process
- Balance enterprise and business unit objectives
- Drive value from the data
- Engage in IT governance processes (Ross, 2007, p. 3)

4.3. How to Implement it

4.3.1. Process

After developing a vision and a road map, we know why we want to change and where we are going. The next question is: how do we get there? A vision statement might be a simple statement, but the strategy of developing or executing the vision should be specific and complete. A comprehensive process should include these four dimensions: (Kotter-Getting the Vision Right, London Borough of Lambeth Website)

4.3.1.1. Enablers for innovation

When we paint the pictures of the future and try to execute the plan, we should know our strengths and opportunities. Focus on the 3Ms – Man power, Material, and Money.

- Man Power

Who are going to be involved? These include not only employees but also customers and desired customers. Also make sure everyone is on the same page, ensuring people know the vision, understanding the meaning and purpose of the plan, feeling positive about the plan, and wanting to work on the plan actively. In the process of work plan, manpower is critical and integral because it allows innovation to take place.

- Material
What do we have and what do we need now? How can we use the resources we have to leverage innovation? We should use the external and internal analysis previously mentioned. Examining internal and external resources of the organization, then we can choose the most important factors that affect the company the most.

- **Money**

Is it worth to develop new technology? Is there demand or market for the new product or service? Is it a high ROI or just high risk? Finance plays an important role when it comes to investing innovation. Organization should allocate their money wisely and carefully when investing on innovation.

### 4.3.1.2. Rationalization of existing initiatives

You cannot eat elephant in one bite. In fact, financially there are difficulties of conducting everything all in one time. There are so many things that needed to be done but there is limited resource to use. When running the plan, we need to rationalize our process.

- **Prioritization**

When coming up with the plan, we should know what our first priority is. We might have countless of brilliant plans to achieve our goals and vision, but we only have limited time. To work the plan effectively, weigh the importance of every plan and give each plan an acceptable time frame before running it.

- **Elimination of project inconsistencies with vision**

When setting up new vision for the organization, we can screen the existing projects, find out what can be eliminated to save our time and cost to make the plan more efficient and effective.

### 4.3.1.3. Opportunities for short-term wins

In general people are more comfortable with taking things as they are. Changing status quo requires not only determination but also communication. When the leading team works on the plan that brings change, people in the organization start having feeling of uncertainty. As the process goes, people might feel frustrated (“it has been three months and I did not see the plan go anywhere”), angry (“we just keep spending our retirement pension. I do not want to waste my money!”), or doubtful (“Are we on the right track? Is this a good or profitable change for the
Those thoughts and voices are one of the critical factors which determine how well the plan is run. It is hard to keep people excited about the change plan and contribute the related projects without letting them see any success or output. Aside from long-term goal, we need to identify milestones and offer opportunities for short-term wins to keep people motivated to go on the projects and keep stakeholders involved in the progress (Kotter, The Heart of Change, pp. 83 - 98).

4.3.1.4. Business Case

In terms of successful work plan, we need to consider the business aspects. After having a good understanding of how to implement the strategy and plans, we need to evaluate the plan based on the financial situation and risk control.

- Costs and Benefits

  Budget is an important part when working on the plan. Without a good budget, a plan could fail or lead to breach because running out of money. We need to spend money wisely to accomplish our plan. Always do budgeting to see how much we need to spend on the plan and what we benefit from every penny we spend.

- Risks and implications

  Something unexpected may happen any time. Not everything is always predictable and controllable. Think of every situation that might happen. Prepare for the worst beforehand and hope for the best. Learn how to manage risk and damage control. Also give the team backup plan and slack time to leave the room for the project in case something goes wrong or out of control.

4.3.2. Obstacles

There are some obstacles when executing the plans for change.

4.3.2.1. Lack of professional skills of leading the change plan

When working on a change plan, the organization needs people who can handle cross-function activities. The managers or team should see things above the goal of their own department or from their perspective. These activities are so different from the normal managerial activities that the person who leads to the plan for change should have professional knowledge, skills of coordination and communication, and related work experiences.

4.3.2.2. Difficult to envision the future
People would have problem visualizing the future when they never experience change. The planner can give people a series of figures and numbers to show why we need to implement the plan, but people can still feel that it is abstract. Fears of uncertainty, the employees are so familiar with their current jobs functions; they can not foresee the future.

4.3.2.3. Information overload

When the chief executive officer proposed new vision asking the executive team for their opinion of what needs to be changed, which happens in most case is that in few weeks, the CEO gets piles of suggestion and tons of financial information reports. The vision can be overly analytic and fail to focus on conducting the plan.

4.3.2.4. Compromise between leaders and stakeholders

With different perspective, leaders and stakeholders might have conflicts. For example, when working on the projects, leader might care about the coordination and quality performance of each team while stakeholders might want to focus more on cutting down the cost and increasing profit.

4.3.2.5. It is not just about to get work done. It is about continuous change and improvement

The work process is iterative: investigate, develop, execute, evaluate, and then go back to investigate. This is a fast pace world. The final product or service provided should be altered based on the rigorous analysis.

4.3.3. Support

Implementing change plan successfully needs support. Below are four supports that the planners should consider.

4.3.3.1. Effective Communication

Do we keep our employees, future customers, and any other important related individuals on board? People cannot conduct plan without understanding the reasons why they need the change. We can make effective communication by having more orthodox exercises and workshops to not only exchange information but also convey the ideas and messages of working the plan for change. In addition, effective communication requires reinforcing core messages through regular, timely meeting that are both practical and serve to inspire. Timeliness is crucial factor in effective communication as employees are more suited to adopting a change plan when they know in advance (Mills). For example, issues such as mergers, acquisitions or downsizing are all relevant change issues that employees should know and hear from their managers since it affects them. The earlier information is communicated...
the better the chance they will accept the plans for change. Furthermore, communication should be clear not only by voice but in the written format also. Written messages that sent to employees must use language that is explicit to foster clear understanding.

4.3.3.2. Full and Active Executive Support
Change starts from the top and the CEO and the leadership team must provide strength and direction to employees when new change is introduced into the organization. Executives must show unity and commitment to the direction of change, understand the culture and behaviors the changes intend to introduce, and can model those changes themselves (Jones). Taking such measures is necessary to reduce any insecurities by employees in terms of executives commitment to the overall vision for change. To make employees feel the plan is needed to run well, executives should show their full support on the plan. Let people know how much the company cares about the change as well as the company’s determination on change.

4.3.3.3. Employee Involvement

It is not employees’ responsibility to manage the change or get involved. It is the responsibility of executives or the management team to manage the change that the employees can cope with. It is also the responsibility of the company to facilitate and enable the change. The company should always actively get employees involved in every stage of the change process as early as possible. Instead of just carrying out the plan, employees would think the organization take their opinion into account; therefore, they are more willing to get involved in the plan.

- **Motivation**

In order for change to accepted and followed, leaders will need to understand the motivational needs of employees throughout the organization. A plan that incorporates the needs of employees while also being in line with the goals and strategies of the organization is necessary (Motivating Your Staff in a Time of Change). The success of managing change depends on being able to answer the overarching question of “what’s in it for me?”. Motivation is driven by this question and if successfully addressed will generate greater acceptance to carry out the plan.

- **Clear Responsibilities**

Leaders within an organization must know and understand their responsibilities in order to help design and implement change in the organization. They must be trained in terms of understanding the organization’s vision, equipped with the
tools to execute their responsibilities, and be motivated to make change happen (Jones). Leaders who are clear about their roles will be able to communicate and build support among employees.

- **Create Ownership**

  Employees are willing to support a change plan if they have stake in it. Organizations should allow employees to help in identifying problems and crafting solutions. Their efforts should be reinforced by incentives and rewards. These can be tangible (for example, financial compensation) or psychological (for example, camaraderie and a sense of shared destiny) (Jones).

4.3.3.4. **Organization Planning and Analysis and Widespread Perceived Need for the Change**

  We cannot ask employees to change without them agreeing or realizing the urgency of change. By providing rigorous data and analysis, we can explain the need for change, articulate the ideas and concepts of the change behind, and specify the process of the change plan.

4.3.4. **Detail Guidelines**

  A winning business plan considers organization’s market, investors, and producers in the body of the plan. The balance of the three components fulfills elements of great business plan. But “too many business plans are written from the viewpoint of the third constituency - the producer. They describe the underlying technology or creativity of the proposed product or service in glowing terms and at great length. They neglect the constituencies that give the venture its financial viability - the market and the investor” (Rich, 1985, p. 156). Therefore, a business plan should be implemented with below critical factors

  - Emphasize the market
    Many investors want to put their money into market focused business rather than technology or service business.

  - Show the user’s benefit
    When the plan uses many technical terms and explains the products’ virtues, some investors and users feel bored about the business plan. In order to get attention to the business plan, it should emphasize the short payback period otherwise, the discussion about product should be short length.

  - Find out the market’s interest
    Since the business plan provides the customers’ interest, an investment would be happened more often.
• Document your claims
  “A realistic business plan needs to specify the number of potential customers, the size of their businesses, and which size is most appropriate to the offered products or services” (Rich, 1985, p. 158).

• Address investors’ needs
  Cashing out, making sound projections, the development stage, and the price can be the needs of investors.

• Packaging
  “Potential investors expect the plan to look good, but not too good; to be the right length; to clearly and concisely explain early on all aspects of the company’s business; and not to contain bad grammar and typographical or spelling errors” (Rich, 1985, p.162). The business plan includes prefer appearance, length, the cover and title page, the executive summary, and the table of contents.
  (Rich, 1985, p.157-162, and 166)

The business plan with the above factors came to be effective. In addition, the plan can check below four parts of framework elements such as, people, opportunity, context, and risk and reward, on the plan itself. However, in reality, a business plan cannot cover every framework elements completely because each business case is on its own specific conditions. Company’s owners need efforts to improve their plan by following these framework steps.

• People
  Business plan should describe each employee’s knowledge of the target business because people invest their money in people, not ideas. A Great idea cannot exist without great people.

• Opportunity
  Potential possibilities of success should be provided on the business plan so that investors anticipate the future moves.

• Context
  Context is an evidence of the opportunity. The context of the plan describes environment of the organization such as, level of economic activity, inflation, exchange rates, and interest rates.

• Risk and Reward
  Plan should provide detailed payoff information because the ultimate goal of the investment is getting money.
  (Sahlman, 1997, p. 99-105)

4.4. Example to Support it

<table>
<thead>
<tr>
<th>Sony</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem:</td>
</tr>
</tbody>
</table>
Sony Corp. enjoys the reputation of owning one of the world’s 10 most powerful consumer brands. From camcorders, digital cameras, video games and computers that cover the spectrum of music, movies and the Net, it clearly holds the high ground with an incredible array of products, with more than 100 million devices produced a year. However, during 2000, Korean and Chinese rivals churned out ever-cheaper alternatives to Sony DVD players, TVs and digital cameras.

Sony’s plan:

**Shift its weight** from making low-margin ‘boxes’ to selling movies, music, games and Internet services. Central to that effort is the fusion of its digital devices along with content, all transmitted within a network of high-speed connections, both wired and wireless.

Learning point:

- Before you deal with new product development, assess the state of young long-term business strategy. How does it relate to the strategic direction you set for your company or business unit? If you recast your direction, then your strategies will change. Further, watch the competitive activity within your industry. This was the key to Sony moving toward a redefinition of its strategic direction, which subsequently dictated the course of its new product development activity.
- Use the cross-functional team to focus on your total product portfolio. Where team members methodically think of customers’ needs and match them with the strategic direction of the organization or business unit, the outcome can prove enormously effective in prioritizing new product strategies and expenditures.


5. **The Communication Strategy**

5.1. **Definition**

*Communication* is defined as “a process whereby information is encoded and imparted by a sender to a receiver via a channel/medium. The receiver then decodes the message and gives the sender a feedback” (Communication). In context to communicating change within an organization, the purpose is to affect the knowledge or behavior of the receiver through informing, directing, persuading, and motivating (Baker, p.10). Receivers can include staff, consumers, internal, and external stakeholders. Forms of communication can include meetings, face-to-face discussions, memos, letters, e-mails, and reports. Having good communication strategy is vital component for change in an organization because how the
messages are received by the audience depends not only on content but the method and timeliness of communicating those messages. Communication is one of the key elements of change management. The goal of communication for change is to get the commitment and involvement of people in an organization. After a change work plan is created, the next step is to communicate the vision and the change to all affected organizational units.

“A great vision can serve a useful purpose even if it is understood by just a few key people. But the real power of a vision is unleashed only when most of those involved in an enterprise or activity have a common understanding of its goals and direction. That shared sense of a desirable future can help motivate and coordinate the kinds of actions that create transformation” (Kotter, 1996, p.85).

5.2. Argument

An effective communication strategy can ensure acceptance from participants and stakeholders and build commitment to the change project. Without effective communication, stakeholders may not commit to change and enforcement of the vision may become more difficult. Moreover, uncertainty about the change plan among participants results in a negative attitude towards the plan or even resistance; all of which have a negative impact on performance. Consequently, empowerment of individuals will fail and the vision will fall short, resulting in an unsuccessful transformation. It is characterized by three features: dialogue, credible information sources, and relationship building. Organizations that plan well and avoid issues of rumors and uncertainty will help ensure their messages will resonate with their stakeholders.

- **Dialogue**
  Message about change is provided in a manner that enables a wide range audience to understand the context, the purpose, and the need. To ensure proper dialogue, using a suitable communication channel dependent on the type of change proposed is important.

- **Credible Information Source**
  Information being communicated to the audience is from a credible source. For example, a message about an unwelcomed change in an organization is best communicated by a senior personnel rather than intermediary or junior employee. Direct communication by senior decision makers help show how important the issue is and ensure employees will pay closer attention.

- **Relationship Building**
  Adjusting message of change to address concerns along with preparing additional messages aimed at skeptical stakeholder to get them to understand. It ensures the reduction of misunderstanding, frustration, and conflict. Furthermore, active listening on part of the organization is also vital to help build a relationship of understanding. It promotes involvement and shows the organization cares about the stakeholders affected by change. Timeliness in the delivery of information is also another factor in ensuring
credibility as it shows the organization has the interest of their stakeholders in mind (Broomes, 2008, p.1).

An ineffective communication strategy results when information pertaining to organizational change is unclear to stakeholders. There is no vision, strategy, or urgency attached to it along with not being able to address the concerns of those affected. Only a limited amount of time offered for people to ask questions, request clarification, and provide input. Providing stakeholders with incorrect information or appear to stumble or back-peddle, when providing an answer which results in a loss of credibility and distrust in regards to the organization’s proposed change (Heathfield). Poor choice in communication channel used to deliver message about change. Below are examples of when communication is ineffective according to (Tourish, 2004, p.61):

- Communication of important changes is not repeated and limited to poor communication channels like memos.
- Leader of a company makes many speeches but everybody else remains silent resulting from the audience not understanding.
- Behavior of leaders in organization that have championed for change conflicts with the message communicated.

5.3. How to Implement it

In order to implement an effective communication strategy, organizations must consider communication as being a vital component of a firm’s overall business strategy. Management and stakeholders must talk and listen to one another about issues of concern to foster understanding and agreement. Early communication and consultation while the change implementation is in the planning stages is critical in generating interest and participation (Successfully Implementing Change). A foundation of trust must be built before any organizational change can occur. Management must be wise in understanding who their audience is, the contents of their message, timeliness of delivery, and medium used to communicate message (Grove, 2009,p.1). Getting stakeholders and participants to accept a change vision is a challenging task. When they are informed about a change plan, they ask themselves questions: “What does the change mean to me or the organization?” “What do the organization or I benefit from the change?” “Does the change yield a better outcome?” “If a change is necessary, can I do it?” “What should I or the affected organizational units need to know to keep up with the change?” In order to reduce the uncertainties invoked by the change, the leading team should carefully craft an effective communication strategy that provides information and emotional support. Shown below is a framework as to how to develop an effective communication strategy and put into practice:

- Building acceptance and commitment of stakeholders, participants, and effective organizational units to the change plan
- Gaining stakeholder buy-in
- Selling the benefit of the change plan across the organization
• Reducing uncertainty
• Providing information support during change process
• Collecting feedback from stakeholders and participants
• Updating information about change progress, issues, and risk to key stakeholders
• Ensuring the consistency and quality of delivered messages to stakeholders and sub units

After the objectives of communication are clearly defined, the leading team is able to develop a strategy to address those objectives. The common approach used in communication strategy development is knowing the WHO, HOW, WHAT, WHEN, WHERE and the communication tips.

WHO – Audience
Before a communication strategy can be developed, determining who the audience is vital as it will affect how the content of the message is crafted and the medium it is delivered by. Start by making list of who the stakeholders, assess their behavior and perceptions with regards to how change has affected them in the past, and then proceed to developing the contents of the message (Grove, 2009, p.1).

HOW – Medium for Delivery
Depending on your audience, choosing a communicating medium that suits them specifically is important. Meetings, face-to-face discussions, memos, letters and e-mails are some of the most frequently used forms. If the message is important, face-to-face communication is the most effective as it provides two-way communication which encourages involvement, clarifies ambiguities, and increases understanding among stakeholders (Klien, 1994, p.1). Furthermore, be prepared to deal with questions posed by stakeholders as this is where you can either gain support or indifference regarding proposed organizational change (Grove, 2009, p.1).

Figure 6.5 Lambeth Transformation Academy

<table>
<thead>
<tr>
<th>Channel</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| Meeting | • Allows face-to-face c, two-way/multi-directional communication  

• Can check people’s understanding level | • Messages may not be relevant to every attendant  

• Different people may not deliver the same message  

• People may be absent at the meeting due to various reasons  

• Cannot be quickly & easily arranged | |
<p>| E-mail | • Written messages promotes | • Gathering feedbacks may be |</p>
<table>
<thead>
<tr>
<th></th>
<th>consistency</th>
<th>difficult</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Can be quickly &amp; easily prepared</td>
<td>• Cannot check people’s understanding level</td>
</tr>
<tr>
<td>Bulletin boards</td>
<td>• Written messages promotes consistency</td>
<td>• May be difficulties for people who do not have E-mail access</td>
</tr>
<tr>
<td></td>
<td>• Can be quickly &amp; easily prepared</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• People can chose a convenient time for them to read the board</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Can collect feedbacks from people’s posting</td>
<td></td>
</tr>
</tbody>
</table>

**WHEN – Timing**

Timing is crucial, be sure to plan the communication strategy in advance to anticipate situations such as crises, layoffs, mergers, acquisitions etc. Furthermore, informing stakeholders advance is essential to ensure that they understand the ongoing changes and the impact it has on them. Do not wait until the last minute, instead be sure to repeat the messages often and through a variety of communication channels as it increases people’s memory (Klien, 1994, p.1).

**WHAT – Content of Message**

The contents of the message should include a vision, context, a proposition, objectives, plans, actions and status updates. It should allow to audience to understand with ease in regards to how important the proposed change is to the organization and how it affects them. Information that directly affects one’s job is more likely to draw attention and lead to retention. Furthermore, be sure to use evidence to justify the organizational change to ensure better understanding (Grove, 2009, p.1).

**WHERE- Authority**

People expect to hear important information from a source of authority which can include executives, immediate supervisor or boss. As a result, leading figures such as these must not only be well-informed about the rationale and progress of organizational change but accurate transmitters of information. They should employ the use of face-to-face communication and repeat the message often to ensure employees are informed and retain the information (Klien, 1994, p.1). Opinion leaders are another source of authority in which people turn to for information. By keeping them informed, provides an opportunity to ensure public opinions are aligned with that of the organization. Also, when communicating a plan for change, be sure
that the leading figures in the organization deliver the same message and is consistent with the core values of the organization.

Communication Tips:

- Keep messages simple; avoid jargon.
- Repeat consistent messages for better retention.
- Use multiple forums that allow multi-directional communications for spreading the messages.
- Utilize appropriate communication channels to communicate with different audience groups.
- Face-to-face communication is most effective.
- Make the message consistent, relevant, and interesting to audience, and deliver it positively.
- Ensure the alignment of leaders’ actions and communications for delivering consistent messages.
- Avoid information overload.
- Communicate effectively to colleagues and subordinates the need for changes. project goals and individual tasks and responsibilities
- Listen and collect appropriate information, identifying the concerns of other people (how these changes will affect them) who are involved in the change
- Awareness in identifying potential coalitions, and in balancing conflicting goals and perceptions
- Sell plans and ideas to others by creating a desirable and promising vision of the future as well as indicating explicit fulfillment of their own interest.
- Stimulate motivation and commitment of other people who are involved
- Influencing - to gain commitment to project plans and ideas from potential skeptics and resisters

After knowing the WHO, HOW, WHAT, WHEN, WHERE, and the communication tips, the leading team also needs to know the stages of change management, and how to develop a communication strategy are best utilized in different stages of change. Typical stages of change management are listed below:

**Stage 1 - Creating a climate for change**

- Announce and communicate the vision, the mission, and the objectives of the change to a broad range of employees
- Clearly communicate the vision, mission, and objectives of the change management effort. Help people understand how these changes will affect them personally. (If you don’t help with this process, people will make up their own stories, usually more negative than the truth.)
- Communicate consistently and frequently through multiple channels including speaking, writing, video, training, focus groups, bulletin boards, and intranets.
• Communicate the reasons for the changes in such a way that people understand the context, purpose, and need.
• Provide significant amounts of time for people to ask questions, request clarification, and provide input. If you have been part of a scenario in which a leader presented changes on overhead transparencies to a large group and then fled, you know what bad news this is for change integration.
• Recognize that true communication is a “conversation.” It is a two-way process and real discussion must result. It cannot be just a presentation.
• Provide answers to questions only if you know the answer. Leaders destroy their credibility when they provide incorrect information or appear to stumble or back-peddle when providing an answer. It is much better to say you don’t know and that you will try to find out.

Stage 2 - Engaging and enabling the whole organization

• Communicate with the responsible groups
• The change leaders or sponsors need to spend time conversing one-on-one or in small groups with the people who are expected to make the changes.
• Leaders need to listen. Avoid defensiveness, excuse-making, and answers that are given too quickly. Act with thoughtfulness.

Stage 3 - Implementing and sustaining transformation

• Follow up the change efforts by fostering effective communication among participants
• Make leaders and change sponsors available, daily when possible, to mingle with others in the workplace
• Provide opportunities for people to network with each other, both formally and informally, to share ideas about change and change management
• Hold interactive workshops and forums in which all employees can explore the changes together, while learning more. Use training as a form of interactive communication and as an opportunity for people to safely explore new behaviors and ideas about change and change management. All levels of the organization must participate in the same sessions

5.4. Evaluation

Communicating change is the key element that builds stakeholder commitment. Evaluation of the communications can help determine whether the current strategy is effective or a new communication strategy for improvement is needed. Evaluation of communication strategy can be achieved through collection of feedback and effective measurement.
• Collecting feedback – The leading team can carefully design a communication diagnosis survey, distribute the survey forms to the key individuals, and collect the survey forms to evaluate current communication strategy based on the audience’s experience and knowledge of the organization.

• Measurement – The leading team can measure whether the message has reached the intended audience, as well as their understanding of the meaning conveyed and their adjustment to change.

• Making suggestions for improvement – Based on the diagnosis survey result, the leading team is then able to determine areas of current strategy that need emphasis and make suggestions for improvement (ex. “Is the delivered message too complicated and it needs to be simplified?” or “are meetings a better communication channel than E-mail to communicate a specific message?”).

5.5. Crisis Communication Management

A crisis is defined as a significant threat to operations that can have negative consequences if not handled properly. In crisis management, the threat is the potential damage a crisis can inflict on an organization, its stakeholders, and an industry (Coombs, 2007, p.1). Anticipation and planning of potential problems is critical during a crisis as it requires quick and decisive decisions to be made and communicated. A crisis communication management plan is necessary to eliminate technological failure as well as the development of formal communication systems to avoid or to manage crisis situations. Communication with the public is crucial to ensure customers or stakeholders maintain confidence in an organization. It is important for staff at all levels along with outside partners to be informed about the status and magnitude of a situation and the steps being taken to respond (Pierce, 2006).

5.5.1. Managing Crisis

The following strategies below serve to assist organizations in dealing with crises effectively:

• **Control Information**

  Have command over the situation and messages that flow to reduce the risk of the release of wrong or sensitive information pertaining to the organization. This will also help minimize the risk associated with employees choosing publicly discuss the crisis (Pierce, 2006).

• **Consistent Message**

  Provide a consistent message as provides a sense of truth and honesty as oppose to conflicting messages.

• **Keep Employees Informed**

  Foster a cohesive staff that feels invested, rather than excluded.
Keeping employees informed, will help instill confidence with regards to the crisis and reduce speculation that leads to rumors (Pierce, 2006, p.1).

- **Timeliness**
  Speed is essential in communicating relevant information to the public. Organization should communicate information as it becomes available to have control over what is presented. Delays in responses to a crisis can result in considerable losses for an organization in terms of revenues, reputation, and increasing cost in managing the issue (Crisis Communication).

### 5.5.2. Preventing Crisis

The following strategies below serve to assist organizations in prevent a crisis effectively:

- **Identify specific potential threats to organization**
  This allows the company to develop plans that pertain specifically to the nature of each potential crisis before they become a problem. Examples of threats can include: accidents, financial and business issues, legal issues, or safety and security issues. Although organizations cannot plan for every contingency, they should focus on issues that are most likely to bring about implementing their crisis communications plan (Butler, 2009, p.1)

- **Create a crisis response team.**
  Make sure all key players, from the CEO, the communications department, the legal department and any of those involved with the technical aspects of a crisis scenario are involved (Zaferos, 2007, p.1).

- **Media Training**
  Provide training to those who may become involved with the crisis publicly. This can include the CEO to the technical staff, all of which needs to be aware that what they say will directly affect the organization’s credibility (Zaferos, 2007, p.1).

- **Name a spokesperson**
  It's important to have message consistency in a crisis, and having one person in charge of speaking publicly diminishes chances of conflicting messages (Zaferos, 2007, p.1).

### 5.5.3. Layoffs

#### 5.5.3.1. Definition

A layoff is the temporary suspension or permanent termination of employment of an employee for business reasons, such as the decision that certain positions are no longer necessary or a business slow-down or interruption in work (Layoff). Communication to both the employees being let go and the employees remaining are
crucial during the process. As a result, organization should have a communication strategy in place prior to layoffs taking place.

5.5.3.2. Argument

An effective layoff process begins preparing leaders early to deliver key messages about business conditions and actions. This will ensure that a clear rationale for layoffs is communicated. Being clear helps maintain the trust of employees being let go. Furthermore, the message must highlight how much the organization values their efforts and what support they will provide in their transition to finding a new job. For employees that remain in the organization, it is important to reinforce a message that their position is secure. Communicating a vision for the future and engaging employees to take part in helping achieving the organizations future goals will show remaining employees their importance to the organization (Butler, 2009, p.1).

An ineffective layoff process usually has no clear communication plan in terms dealing with employees being let go. There are no severance and bonus agreements written up or how to notify the employee ahead of time. Furthermore, employees being let go have no clear sense as to reasoning behind it and the criteria the organization used. There is a lack of trust and respect which ultimately has a negative effect on remaining employees (Rogoski, 2003, p.1).

5.5.3.3. How to Implement it

Effective communication is crucial to the planning and implementation of layoffs. Being clear and honest is the basis for the following strategies to succeed according to a Layoff Guide by the University of Berkeley human resources department:

Communicating with Management

- All levels of management should be involved in the discussion of layoffs plans in terms of what is being done and how it will affect the organization before the plans are presented to employees.
- Hold a meeting with all managers to review your plan
- Offer other managers and supervisors a chance to react, discuss, and help revise the plan

Communicating with Employees

- Openly communicate with staff during the planning and implementation stages of a staff reduction

Communicating Layoff to Employees

- Recognize the employee's contribution
• Provide a clear and concise reason for the layoff
• Tell the employee that written notice of the layoff will be coming and when they should receive that notice
• Offer support by listening to concerns or frustration employees may have to show that the organization cares.
• Describe how the organization will support an employee's transition to a new job (Layoff Guide, 2008)

5.5.4. Mergers and Acquisitions

5.5.4.1. Definition

Mergers and Acquisitions (M&A) is an aspect of corporate strategy that deals with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity (Mergers and Acquisitions). There are three broad phases in M&A which include: strategy development, negotiation and closing of deal, and post merger integration. The most critical phase deals with integration in which effective internal communication among employees is crucial to deal with the culture changes brought on by the newly acquired company (Harrison, 2005).

5.5.4.2. Argument

Effective M&A communication strategy starts by communicating information early to reduce uncertainty and speculation among employees. Organizations must show a clear plan in terms of how employees will be affected in terms thing such as workload or job security. Maintaining positive attitude towards the changes brought on by the crucial to the success of an M&A (Harrison, 2005). It keeps the organization focused on customers and productivity along with helping retain key employees.

Ineffective M&A communication strategy does not articulate individual expectations and the benefits of the integrated organization. Employees are filled with concerns by the lack of information in terms what spillover effects will the integration bring on their lives. There is no clear plan in terms of job security resulting in employees waste time in discussing rumors and losing some of their motivation.

5.5.4.3. How to Implement it

The following strategies provide companies with a means to plan and implement an effective communication strategy for M&A. The focus will be on post merger phase.

• Understand who the stakeholders are and how to craft a communication plan to fit them better.
• Persuaded employees to believe in the corporate vision and to act on it
• Take in account the logistical and cultural factors necessary to communicate with staff in diverse locations.
• Take into account feedback from employees by listening to their needs and concerns
• Ensure senior managers are committed to communicating the message consistently, firmly and honestly.
• Use multiple avenues communicate message such as through print, voice mail, e-mail, meetings, and video (Harrison, 2005)

6. Empowering, Training, and Coaching

6.1. Change Agents

The term change agent is used for all those persons or groups of persons who are responsible for implementing change. There are two kinds of change agent: 1. Change managers, change leaders, or project managers for change projects 2. Members in a change management team who are executing the orders of the change leaders. When we try to empowering these two groups of agents, we must make sure they meet the different qualifications according to their groups. As for leaders, they are responsible for clarifying objectives and building teams. For team members who are executing the actual change process, they need relevant knowledge and skills to conduct the change as well as tolerance of ambiguity and flexibility in responding to changes.

Change agents who are managers and leaders of changes should be empowered with:

✓ Ability of decision making and setting objectives

They should have access to information about changes in technology trend, market conditions, and competitors in key players and top management perceptions.
Therefore, they can maintain the sensitivity to changes, which impact the strategy of the organization. They should be provided with concrete information about the organization’s current standings and operation management process. With the information given, change agents can establish clear-defined and feasible goals. Next, the power is granted to the change agents to remove obstacles caused by potential skeptics and resisters as well as bureaucracy once priorities are set.

✓ Team-building resources

Team-building resources are provided to change agents which enable them to bring together key stakeholders, establish effective working groups, and define and delegate respective responsibilities clearly.

○ Change agents who are team members that conduct changes should be empowered with:

✓ Knowledge and skills to conduct changes

Provide key staff with the skills and knowledge set required to drive change. By ensuring that key staff members receive appropriate training, the organization will be able to address critical issues and solve problems in change process in ways that are cost-effective and sustainable.

✓ Flexibility in ambiguity and in responding to changes

Provide flexibility to change agents who are team members; enable them to work creatively, patiently and effectively in an uncertain environment. Provide flexibility in responding to changes without the control of the change leader or project manager. In some cases, major shifts in project goals and roles are required.

6.2. Changing Perception

In a change process, changing perception should not only target the change agents who facilitate the change, but also others involved in the change who are not conduct the change (e.g. employees who are changing their work routines in response to the change). Change leaders could change other people’s perception through effective communication, training and coaching, and aligning systems to the vision of the change:

✓ Training and Coaching

Training and Coaching are not only necessary for change agents, but also necessary for people who are involved in the change. Without the training that empowers those people with the knowledge about change, they probably will misinterpret the change.
Furthermore, without the training that empowers those people with the skills to accommodate themselves to the change, they will lack the capabilities to align themselves to the change.

- **Approaches**
  
  i. Workshops and public seminars

  Workshops and public seminars give participants a chance to gain knowledge about how to apply change management in a setting where experts and other peers can give input and feedback. For example, Prosci an independent research firm specializing in change management conducts workshops that allow participants to bring their change project and work on building change management plans for their project while learning the methodology. Workshops and public seminar give participants to reinforced newly acquired knowledge through a hand on approach (Launching a change management team).

  ii. Face-to-face

  Face-to-face training is a traditional approach in which employees are taught by specialist. Information is usually communicated in a form of a lecture regarding information, skills and tools needed to implement change management (Launching a change management team). Training can be done by either an internal or external resource. Internal resources can include managers, in-house change management specialist or executives. External resources can include third party change management specialist or consultants. Face-to-face training allow for employees to get up to speed and understand the importance of change.

  iii. Discussions

  Discussions are an approach that enables the organization keep individuals that are being impacted by change informed. The goal is foster understanding among employees in the organization which serve to bolster support for change. The format of discussions can include: 1) one-on-one 2) group setting (Launching a change management team).

  iv. Meetings

  Meetings help facilitate an exchange of new information about change between employees. This approach creates an atmosphere that allows experiences and concerns to be shared. Having such insight is beneficial for the organization to managing change successfully. Meetings are often
formatted in two ways: 1) Incorporate topic of change management on into agenda for all normal meetings. 2) Assign periodic meetings focused solely on change management. (Launching a change management team).

- **Tools**
  
  i. **Presentations**

  PowerPoint presentations are an effective tool to communicate things such as change management best practice research to executives and information such as goal-oriented change management models to managers and supervisors (Launching a change management team). The tool compliments meetings and discussion as enables important information to be delivered in a concise form.

  ii. **Reading materials and handouts**

  Reading materials and handouts serve as a tool that compliment face-to-face training, workshops, and such. Both serve as a source to information for employees to refer as needed. The purpose is to aid in understanding the goals and vision regarding change in the organization.

✓ **Tips for Aligning Systems to the Vision**

- Align information and personnel systems to the vision: Unaligned systems also block needed action (Kotter, J. P. 1996).
- Create economic incentives and organizational incentives
- Publicly review the measurements for the change effort to track the progresses of the change management and change efforts
- Publicize rewards and recognition in the organization for excellent performance and accomplishments in the changes and change management
7. Holding People Accountable

7.1. Defining Responsibility

The first step to keep people accountable is defining responsibility for every people. It is important to identify who owns what responsibility. It pertains to the behavior that allows for corrective action and for penalizing mismanagement to take place (Dlamini 2005). Being clear and specific about responsibilities is a must for organization not only for change management team to be enforced properly but also to better understand mistakes that have occurred. Here are example lists of actions:

- Identify change leaders who are in charge of the change process
- Identify significant responsibilities of each different managers based on their roles in the change process
- Identify team members who are involved in conducting changes
✓ Identify significant responsibilities of each team members based on their roles in the change management
✓ Identify employees who do not conduct change but need to accommodate themselves to the changes
✓ Identify work routines that will be changed for other employees who are not conducting but are influenced by the changes
✓ Identify person who oversees incident response planning and assist with disciplinary and legal matters

However, sometimes roles and responsibilities can become unclear. The importance of organizational responsibilities is that it serves to make everyone accountable for their position. Organization that don’t have a proper structure most often are ill prepared to minimize risks but also determine how that the problem occurred in the first place. Research by PwC has shown that “over half of global financial firms have no accurate record of where customer and employee data is collected, transmitted or stored” (Muncaster 2009). It is clear that not knowing on the part of the financial firms was attributed to unclear responsibilities being delegated to manage this task. It is impossible to protect valuable customer information if responsibility isn’t taken to monitor along with other activities to minimize potential risks such as data breach.

7.2. Metrics and Benchmarks

Metrics and benchmarks are tools of performance management and the second step of making employees accountable for their position. After employees’ responsibilities were clearly defined, this step comes into order. Through these metrics or benchmarks tools, organizations can measure and monitor change leaders and they also can compare their performance with other employers. The below is benefits of performance management by using metrics and benchmarks.

- Easy for employees to develop and manage their career and development plans
- Easy for managers to assess employees fairly
- Easy for employees to understand the company strategy and their role in this strategy

(Metrics – performance management)

Tools of Metrics and benchmarks:

- Key Performance Indicators (KPIs)

  System of KPIs is a metrics to help company’s performance. It can be used as a benchmarking tool to measure employees’ work progress toward organizational objectives. For example, a company may use this for tracking their “sales figures, expenses, gross margins and so forth.” (Wardell 2008)

- Balanced Scorecard
This metric is a performance management tool which focuses on financial and operational objectives and this tool offers “comprehensive view of a business” for users. (Balanced Scorecard) So balanced scorecard metrics helps communication between employees and gives long term plan ideas. (Kaplan 2007)

- Gap Analysis

This tool is for resource assessment of organization and this focuses on actual company performance and compares with the best organization performance. (Gap Analysis) By comparing the two performances, gap analysis provides direction where the organization needs to go in the future. Also this analysis offers current organization’s weaknesses and strengths. (Laurent 2006)

- Six Sigma

This strategy tool is originally developed by Motorola and today this tool is very popular application in many organizations. (Vince 2006) “Six Sigma seeks to identify and remove the causes of defects and errors in manufacturing and business processes.” (Six Sigma)

- Process Management

This is an activity of planning and monitoring the performance of a process. By using this method, organizations can develop their applications and systems of knowledge, techniques, skills, and tools. (Process Management)

“There is no need to create a specific metrics for benchmarking, when you already have some ready-to-use metrics. The metrics for benchmarking and metrics for evaluating the performance of your business should be the same.” (Balanced Scorecard and KPI, performance-based management and benchmarking)

8. Conclusion

The Executive Committee should provide a clear sense of direction before an organizational change takes place.

The committee defines the mission, vision, and value statements which give a vivid description of the future where the organization is going to be and the operations that need to be carried out to achieve the goals. Knowing why are we making change and where are we going, we need to know how to get there. Therefore making a work plan provides a guideline of executing the process.
The change management team develops a strategy that lists the detail processes required for the change, predict what obstacles that they will encounter during the change process, and proactively seek supports for commitments for the change plan. The strategy includes a thorough internal and external analysis to ensure that the change plan is realistic. A communication strategy then is developed to sell the vision to stakeholders and gain their acceptance and commitment. Methods for evaluating the communication strategy should be created to ensure the effectiveness of communications.

After the mission is clearly set, the work plan is established, and people are committed and well-adjusted to the change plan, it is important to think about empowering change agents. The change agents, no matter the change agents are change leaders or ordinary members in the change management team. This part addresses how both kinds of change agent should be empowered. In addition, it is important to changing perception of the people who are not conducting the changes, but are affected by the change through a persuasive process.

Finally, the leading team wants to hold people accountable throughout the whole change process. It is important to make everyone, including change managers, team member of the change management team, staff who are affected by the change, involved in the change. The leading team needs to clarify their responsibilities and create a metric system to evaluate their performances.

9. Case Study

<table>
<thead>
<tr>
<th>Developing a Mission &amp; Values statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>= With the Salvation Army’s School for In-Service Training and Development</td>
</tr>
<tr>
<td><strong>Process</strong></td>
</tr>
</tbody>
</table>
The Salvation Army’s school for In-Service Training and Development department wanted to improve their own mission statement toward their ultimate goals.

Here are their steps to develop statement. About 25 staffs of the department gathered and brainstormed answers to the below three questions:

- Why do we exist?
- Who do we serve?
- What is the need we are addressing?

The answers were divided by a small group of people and they put that down on their mission statement and value statement. And both of these were presented often by the whole groups of the organization. The key concepts of these statements were “Technology of Participation (ToP), including elements of the ToP Focused Conversation and the ToP Consensus Workshop.” “This process took place two years ago, and since then the statements have been used both internally to give a sense of direction and clarify purpose, and externally, to considerably strengthen the identity and raise the profile of the school within the wider organization.”

Result

The impact of this has been to provide a unifying effect and teamwork on their whole departments, giving a strong sense of direction and identity. The influence in the organization has increased and the attendance at training events. “More widely, the process used was a practical demonstration of the more participatory approach to planning which the Salvation Army is in the process of adopting, and led to other departments using a similar approach in their planning.” So the In-Service Training and Development department demonstrates the needs of ownership and commitment to the process by keeping regular meetings. The mission and value statements have remained in the organization constantly.


NCR’s Communication

= Organizational Development and Change
In 2005, Bill Nuti replaced Mark Hurd as CEO of NCR. The NCR organization had a very clear strategic vision for the company and Nuti ensured this existing organizational vision was at the center of his vision. During this initial phase, Nuti felt it was vital to communicate his vision with as many stakeholders and possible. These stakeholders included employees, customers, analysts, investors, the community, and the media. During this “communicating the vision” phase Nuti focused on the 30,000-foot view of where he would like to take the company, not a specific plan of how to get there. (Bird, 2005, p.1). Nuti also kept management in the loop during this “changing or moving” phase. Bird explained this portion of the organizational communications focused was not only on keeping the management aware of senior managements plan. It also included training management to solicit “feedback from the employees, customers, investors and other stakeholders” (Bird, 2005, p.1) to gain a better perspective of the change and its affect on the business.

With NCR’s US$6 billion in annual revenues, it was important to invite the community into the change process as well as the press. While most of these groups were not direct stakeholders to the leadership change, they played a vital role in supporting the stakeholders. Bird explained, “It’s best to be up front, rather than letting talk at the local coffee shop unjustly tarnish your reputation.” (Bird, 2005/2006). The organization measured results of the leadership change through a variety of tools to ensure proper coverage of the feedback. These tools included comparing the third-quarter results to the Wall Street Journal expected results, which were exceeded by NCR. The continuation of a CEO connections website, set up during the first 100 days, to monitor employee views of the leadership. As in the other two phases, the stakeholders and communication media have remained constant; the messages, however, have changed (Huff, 2006, p.8).

References

Book

Magazine/Journal Articles

• Bobinski, Dan. “How a clear vision and mission leads to more profits” Management Issues. Dec. 7, 2005

• Perkins, Bart. “Mission statements: The good, the bad, the forgotten.” *Computer Weekly*. May 12, 2008. p.1
**Websites**


- **“How to Write a Mission Statement,”** <http://www.howtobooks.co.uk/business/small-business/mission-statement.asp>.

• “Layoff Guide” < http://www.law.berkeley.edu/administration/hr/hiring/layoff.htm>.
• Process Management: < http://en.wikipedia.org/wiki/Process_management>
• Six Sigma: < http://en.wikipedia.org/wiki/Six_Sigma>
Chapter 7
IMPLEMENTATION

Authors:
Winford Dixon, Peter Ellis, Arpan Sheth
Akshay Bhagwatwar, Elishema Fishman, Yefeng Miao

Chapter Objectives -- In this chapter you will learn about:

1. Workforce Management
2. Risk Management
3. Contingency Plans
4. Practice Runs
5. Support
6. External Effects of Implementation
7. Planning for failure
8. Areas of Risk
9. Learning from the Implementation Process
Introduction

This chapter deals with the implementation of change management. The implementation phase can be further subdivided into workforce management, risk management, practice runs, contingency plans and support. Each sub-category deals with a specific aspect of change management. Namely, workforce management focuses on the performance and productivity of an organization after a change has been implemented, while risk management provides a framework to manage threats associated with change or uncertainty. The framework consists of risk identification, risk assessment and analysis and risk mitigation. One way to overcome any possible failures are contingency plans. Additionally, practice runs can help to identify potential problems related to technologies, processes, space or workflows before changes are implemented. Lastly, after implementation, support is provided to help guide users should they encounter obstacles in the new work environment. Support activities include the establishment of communication channels, help desks, training sessions and training modules.

Workforce Management

Workforce management focuses on the performance and productivity of an organization or department after a change is implemented. The automation of business processes includes establishing a procedure that is consistently followed, eliminating unnecessary steps and allowing every member of the team to become more efficient in their responsibilities. A successful implementation is accomplished by focusing on workforce management throughout the entire implementation process.

One important activity to help deal with transition is scoping the existing workforce and its skill set so that the workforce is properly aligned with the right job at the right time. Identifying the learning needs of workers during a change implementation prepares the workforce to identify, develop and sustain the necessary workforce skills. For that reason, workforce planning is essential for a smooth transition, during change management implementation.

A good workforce planning process uses all available resources to plan for change. Pilot groups of leaders with previous change experience and key members of groups can be beneficial toward providing feedback to enhance change methodology and processes (Hansen, 2008). According to Lisa Cory, Director of Talent Management for Harley-Davidson Inc., “We begin with one-on-one meetings with leadership to obtain qualitative workforce information, and then we marry this to our detailed quantitative analysis to project hiring needs over a three-year horizon.” The key is to work with business leaders who understand the value of workforce planning” (Hansen, 2008).
Proper analysis and management of a workforce’s activities ensures goals are consistently being met in an effective and efficient manner.

Change management investments should result in improvements in process efficiencies, financial benefits and service levels. But before implementing change in an organization all areas affected by this change must be evaluated. Understanding the risks (or any unintended impacts on other business processes) associated with achieving these benefits can be best understood through face-to-face interviews with business line managers and their staff.

Improper workforce management will likely put change management at risk. The following are common examples of issues in workforce management that can lead to failure.

- **Unclear accountability** - Lack of accountability resulting from blurred lines of roles and responsibilities within a change management implementation process.
- **Inadequate employee training** - Employees lack the necessary skills and/or there is insufficient employee training and development.
- **Insufficient attention to the future** - A lack of foresight can inhibit scalability of systems and the adaptation of processes to changing markets.
- **Lack of urgency** - A poor understanding of the purpose or need for change, resulting in halfhearted efforts from the workforce (Kotter, 2002).
- **Data overload** - An inability to decipher which information is pertinent amongst and overwhelming amount of quantitative and qualitative data.

An example of workforce management problems today can be seen below in the Vodafone case study.

---

**Vodafone Case Study**

Vodafone in the United Kingdom is part of the Vodafone Group, which provides a full range of mobile telecommunications services, including voice and data communications, to over 100 million customers across the world.

**Business Challenges:** Vodafone turned to IEX Corporation, a subsidiary of NICE Systems Ltd., to improve their organization's approach to workforce management. The aim was to boost scheduling efficiencies, increase adherence and gain much needed visibility into operations to ensure they had access to information needed to make timely decisions. At the same time, Vodafone wanted to cut down on the amount of overtime required to meet service level demands, and when they did have to pay overtime, they wanted to ensure agents were paid quickly, fairly and accurately.
"Originally, we didn't have flexible shifts and all of our teams were on fixed rotations created in spreadsheets, which meant we were vulnerable to changes in call pattern arrival. Also in our credit centers, we could only do outbound dialing in periods when the shifts and availability dictated," says Andrew Hyde, planning manager at Vodafone. "At the time, there was little use of virtual routing, which could mean low service levels in one center with availability in another. We were also unable to have any view of how our outsource partners were contributing on an intraday basis. Overtime was tracked manually by team managers and reported on timesheets, resulting in a heavy workload for supervisors and the payroll department."

**Effective In-house and Outsource Resource Sharing:** With the TotalView® Workforce Management System, Vodafone now has the ability to schedule agents using historically accurate data and reliable forecasts, generated over an 8-week period. Those models are in turn linked to schedules provided by outsourcers, which are mapped inside TotalView. This gives Vodafone a complete picture of available agent resources and enables the company to effectively allocate calls throughout the internal and outsourced organization.

Now plans can be adjusted with as little as 30 minutes notice in order to account for any marked shortfalls or surpluses in contact center resources. Instead of managing overtime by hand, Vodafone now uses automated database scripts to quickly extract all overtime and shift premium exceptions, by coded reason, into a single file which payroll can expedite, a 20-minute process for just one member of staff.

**Better Agent Schedule Adherence:** By implementing the TotalView Real-Time Adherence (RTA) module, Vodafone has boosted adherence from 65 percent to 95 percent within 3 months. This was achieved in spite of moving from fixed to flexible shift patterns. Vodafone also got its desired drop in inefficiency, a reduction of more than 50 percent down to just 13 percent of the overall schedule. "This has resulted in direct cost savings and improved service levels," Hyde says. "We are also able to target our outbound agents to the prime outbound times for dialing. With this, we hope to improve our connect rate by 30 percent." Flexible shifts have greatly improved service level performance as well, with a running record of 8 straight months on target even with a reduction in the number of full-time agents. "We wanted to introduce flexible shifts because we knew it would increase our scheduling efficiency. But we were worried that the change would reduce adherence," commented Hyde. "Using TotalView with RTA enabled us to achieve greater schedule adherence and scheduling efficiency."

**Insight into Outsourced Operations:** The company is also better able to manage and benefit from its outsourcing relationships because they are more accurately accounted for in the overall workforce management plan. Hyde says. "We now have a 2-week intraday view across all business units, allowing us to slide shifts or assign overtime well in advance of a problem.” On an intraday basis, Vodafone can also see if their outsourcers are not delivering their committed staffing targets and re-arrange their plans accordingly.

**Improved Customer Service:** Vodafone's quick turnaround in workforce management has
resulted in dramatic savings while also providing much greater customer coverage and service. The change has given customer care managers back the time they need to ensure delivery of great customer service. "Now that all of our exceptions are handled by the scheduling team, it allows our team managers to concentrate on their people," Hyde says.

**Benefits:**
- Reduced 300 FTE while improving service level
- Lowered average overtime costs from £50k/month to £3k/month
- Improved adherence from 65% to 95%
- Enhanced schedule efficiency

---

**Change Management**

The key to creating a successful culture of change management is accountability. Establishing a strong management team with clear accountability will foster better development and enforcement of controls in change implementation. Change Management Do’s and Don’ts (2005) suggests creating a change advisory board (CAB) consisting of relevant stakeholders that can make decisions about changes affecting business goals and processes based on their understanding of the business goals, as well as technical and operational risk (Behr, Kim, and Spafford 2005). Change monitoring provides a trusted verification system to ensure that the detected change is mapped to the appropriate resource, or flagged for further investigation. Change management Do’s and Don’ts (2005) also suggests that an organization should ask and track the results of the following critical questions:

- Who made the change?
- What did they change?
- Should it be rolled back? If so, then how?
- How do we prevent it from happening again in the future?

A change request tracking system is put into place to track all requests for changes (RFCs) through an authorization, implementation and verification management process. The change request tracking system’s first goal is to record, prioritize, and track all changes or enhancements towards the automating process. The second goal is to decide if the change should be approved. The ultimate goal of change management is to reduce the amount of time spent on unplanned work and reducing the number of self-inflicted problems by modifying how problems are solved (Behr, Kim, Spafford, 2005). The TPM case study, listed below, is a strong example of a company that effectively implemented a CAB.
Total Productive Maintenance (TPM) implementation in China Case Study
Albert H.C. Tsang and P.K. Chan
The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong
The company being profiled is a high-precision machining factory located in Pearl River Delta, China. It is the manufacturing site for a Hong Kong-based supplier of semiconductor assembly equipment and lead frames. Simplified organization charts of the factory and of the maintenance department are shown in Figures 1 and 2, respectively.

In mid-1995, the factory introduced TPM as an initiative to: maximize availability of highly expensive machine tools, upgrade product quality, improve safety performance and reduce operation and maintenance costs. It was also expected that the change program would transform the culture in the workplace into one characterized by team spirit, ownership of problems and drive for continuous improvement. The second author, who is the maintenance manager of the factory, was the champion driving the TPM implementation program.

The three-phase implementation program: George and Jones (1996) discuss two approaches to managing change in organizations. These approaches can be applied to the introduction of TPM in factories located in mainland China:

(1) Revolutionary change. This approach suggests a paradigm shift and redesign of methods that are both drastic and swift.
(2) Evolutionary change. This method takes the form of a more gradual process making employees realize the deficiencies of the current operating model.

An hybrid implementation program of the two change methods described above was used to introduce TPM in the factory. The change program has three phases as outlined below:

Pilot phase (12 months): TPM was introduced in mid-1995 with the endorsement of senior management. The initiative was announced through internal correspondence and displayed...
posters on TPM notice-boards throughout the factory. A TPM committee was formed to steer the change process, which was composed of production foremen and engineers and was chaired by the maintenance manager. Initially, the main focus of the committee's work was on promotion and education. Workshops conducted by the maintenance manager were provided to front-line supervisory personnel to create awareness of TPM and its benefits. In the meantime, maintenance mechanics were deployed to thoroughly clean and lubricate each machine in these production units. The machine operators were then instructed to clean their workplace and lubricate their machines on a daily basis according to standards established by maintenance.

**Promotion and consolidation phase (24 months):** After employees had witnessed the positive effects of TPM and recognized the importance of the new approach, an interim review of the program was conducted. Through their daily contacts with production workers on the shop floor, the maintenance manager and other members of the TPM Committee were convinced that they had obtained the buy-in of the workforce for full-scale implementation of TPM in the factory. A policy stipulating that all operators should develop a sense of ownership of the equipment they use and that they are responsible for providing primary care (cleaning, lubricating, adjusting and inspecting) for their equipment was formulated. The policy was widely promulgated throughout the factory. The training programs previously restricted to those directly involved in the pilot phase were then made available to supervisory staff and key operators in all production units.

**Maturity phase (24 months):** In this phase, case examples of successful TPM implementation in other factories were discussed at meetings. Visits to other factories with TPM programs in place were also arranged for employees to share their experiences with their counterparts in other organizations. Machine operators with good potential were being trained to upgrade their skills, enabling them to replace consumable items and perform minor repairs on their machines. Front-line supervisory staff was required to attend training courses to acquire new technical knowledge and skill and develop their teamwork and problem-solving abilities.

Today, sustaining awareness of the TPM program and investing in staff development continues, and shop-level performance indicators such as equipment availability and failure rates are continuously tracked to identify areas for improvement. Production employees are encouraged to participate in the continuous improvement of equipment effectiveness.

Questions:
1. What do you think are the advantages and disadvantages of the three-phase implementation program in this case based on our discussion in this chapter?
2. What kind of measures did Pearl River Delta, China adopt to assist the TPM implementation?
3. What do you learn from this case study?
Risk Management

*Risk management* (RM) is a systematic way of identifying and estimating the potential of risks that may arise and threaten organizational activities ranging from strategic initiatives in operations to processes and projects. Risks are generally perceived in a negative way but there are times risks may prove to have both positive and negative effects, so long as they are properly planned for and managed. An example of a risk that could have both positive and negative result is one that results in a significant improvement in end product’s functionality, while concurrently causing negative effects on the demand of resources needed to make these improvements (Bliss 2008).

One of the greatest benefits of RM is that it can aid an organization in avoiding overreactions to risks and/or distortion of resource allocations. According to the Committee Draft of ISO 31000 “Risk management – Guidelines on principles and implementation of risk management” (2007), RM should create value by creating efficiency in many areas, including: operations, environmental protection, financial performance, corporate governance, human health and safety, product quality, legal and regulatory compliance, public acceptance, and reputation.

RM should be an integral part of organizational processes and should be including in decision making so that actions may be prioritized and distinguishable among alternative courses of action. Furthermore, RM should explicitly address uncertainty and how it may be treated, and the process should be systematic and structured to ensure that the results are consistent, comparable and reliable. Lastly, RM should be based on the best available information sources available such as experience, feedback, observations, forecasts and expert judgments. Each organization should tailor its RM to match its external and internal context and risk profile, taking into account human factors that may facilitate or hinder success in managing risks. RM is a dynamic, iterative process that must be responsive to change.

JISC provides an ISO sponsored generic framework that can be used for RM within any public, private or community enterprise. These International Standards are generic, meaning that they are not specific to any industry or sector. The framework can be applied to all stages of an organization’s life cycle and its activities, processes, services or assets. The generic framework for RM presented in *Figure 1* is a graphic representation of the iterative process of RM. Additionally, two strong examples of risk management can be seen in the Caterpillar and Finnish Mutual Pension Insurance Case Studies below.
Caterpillar Inc. Case Study

Title: Implementing Major Benefit Changes During a Time of Record Profits
Caterpillar Inc., 2006

As a competitive means to retain and attract employees, Caterpillar Inc. has consistently provided one of the top healthcare plans for its U.S. employees and retirees in the manufacturing industry. In 2003, an extensive research project showed the company’s benefits far exceeded the market at a cost to employees far below the national average. As a result, Caterpillar would absorb serious long-term financial risks if significant plan design changes were not made in the short term. To allow Caterpillar to offer competitive benefits for the long term and remain profitable, the company developed a new plan design that increased employee cost sharing and encouraged employees to become more effective healthcare consumers.

To allow Caterpillar Inc. to offer competitive healthcare benefits for the long term and remain profitable, the company developed a new plan design that increased employee cost sharing and encouraged employees to become more effective healthcare consumers. An internal change management team was charged with effectively implementing the new plan and preventing a drop in employee engagement. Adding to its challenge, Caterpillar was in the midst of union contract negotiations and reporting record revenues. Not only was the plan rolled out successfully,
employee engagement actually increased four percentage points during time employees were learning of the change.

**Research:** In preparing its change management plan, the Healthcare Implementation Team utilized extensive research data gathered from a variety of sources,

Research found that the following areas were “very important” to employees and retirees when it comes to their healthcare benefits: preventive care, affordability, lifetime coverage, timely communications and protection from catastrophic medical expenses.

**Planning:**
The Healthcare Implementation Team defined the company’s long-term healthcare strategy as follows:

- maintain a balanced approach to healthcare design, looking at the enterprise, the market and employee engagement
- provide highly competitive healthcare benefits (i.e. “stay in the game”)
- target benefits in the top 25 percent among comparable companies
- offer at least three healthcare plan choices to meet the diverse needs of employees and retirees
- communicate our healthcare plan as one piece of a total benefits package, i.e. “Total Rewards”

Employees, retirees and healthcare vendors were identified as the key target audiences and eight critical success factors were established: committed and effective sponsorship, clear definition of the desired state, rigorous implementation of a global change management model, resistance mitigation, active governance structure, effective communication, availability and willingness of required resources, and one team approach.

The team also uncovered several potential resistance themes among target groups, including: an entitlement mentality among participants, unclear definition of what it means to be an active consumer, the perception that corporate benefits are more important that the personal needs of employees, distrust of vendor capability, focus on cost savings in a current environment of record earnings, previous pain with past healthcare changes, and risk of loss of productivity and possible retention issues.

With this input in mind, the Healthcare Implementation Team developed a change management plan in cooperation with LaMarsh & Associates, a professional change management consulting firm. A change master in Corporate Public Affairs and a project implementation manager in Compensation + Benefits worked closely together throughout the project. In addition to managing the corporate change plan, they provided guidance to Business Unit Implementation Teams administering change plans designed to address issues specific to their employee populations. Progress was monitored through weekly teleconferences involving both corporate and business unit implementation teams. Periodic in-person status reviews were also held with the Executive Office, Administrative Council (vice presidents) and U.S. HR managers.
Execution:
- 300-plus communications were designed, developed and deployed during the project to more than 40,000 employees, retirees and spouses. Messages were targeted directly to project sponsors, employees, retirees, spouses and family members, UAW-represented employees, international service employees and other groups.
- More than 130 HR professionals and communicators from across the U.S. attended a Healthcare Implementation Workshop to learn about the corporate change plan and begin developing change plans for their individual business units
- 100-plus training events were designed, developed and delivered to business unit implementation teams, Caterpillar managers and supervisors, employees, retirees, and spouses

Finnish Mutual Pension Insurance Case Study
This case gives a presentation of the main risks a Finnish pension insurance company is facing and how they are being managed. It also presents a new stochastic programming approach to asset allocation, with a vital role in the management of investment risk. The model has been developed by researchers at Mutual Pension Insurance Company.

The main activities of Finnish Mutual Pension Insurance Company are underwriting business and investment. The most important function of the company is, of course, to pay pensions to retired employees. To finance the pensions, the company raises pension contributions from its policyholders, i.e. the employers and employees. Yearly pensions are partly financed by contributions paid during the very same year and partly by assets accrued from earlier contribution payments. Thus, the pension insurance companies hold substantial investments needed for future pensions. A part of the surplus from the investment activities is paid back to the policyholders as bonuses.

Main Risks of Finnish Pension Insurance Company
The risks of the underwriting business are linked with the sufficiency of the company’s pension contribution incomes and technical reserves to cover present and future pensions. The technical reserves are minimum requirements for the company’s assets and correspond to the present value of future pension expenditures. In the long term, the main risk factor is the uncertainty associated with life expectancy, affecting the length of old-age pensions. The uncertainty associated with pension starts and sizes are the main short term risk factors. The company is obliged to monitor and control the risks of uncertain future pension expenditures.

In Finland, the pension insurance business is strictly regulated. The pension contributions are common regardless of company as set by the Ministry of Social Affairs and Health. Shortfall in the underwriting business within one company will ultimately affect the policyholders leading to smaller or non-existent bonuses, while systematic shortfall in all pension insurance companies results in raised pension contributions.
The main risks of the investment activities are market, counterparty, liquidity and exchange rate risks. Market risk is managed by diversifying between different asset types, countries, sectors and companies. Pension insurance companies may allocate the assets in cash, bonds, stocks, real estate and loans to policyholders. The allocation mix affects the risk as well as the expected return of the investment portfolio. Counterparty risk is managed by analyzing the creditworthiness of bond issuers and by limiting investments in one issuer’s bonds. Guarantees are also used to secure the investments. Liquidity risk can be managed easily since pension expenditure can be accurately forecast. Exchange rate risk is controlled using derivatives.

The value of the assets of a pension insurance company must always exceed the technical reserves. The Ministry of Social Affairs and Health has set several target values and borders for the solvency capital, i.e. the excess of investments over the technical reserves. The target values taking into account the amount of money invested in different asset types are meant to secure the value of the investments from falling below the technical reserves. The challenge in the allocation of assets is to pursue maximum revenue under prevailing market conditions in order to be able to pay bonuses to policyholders. At the same time, the solvency capital must be secured in the target zones set by the Ministry.

**Lessons from the Case**

The pension insurance case does not describe a distinguished fulfillment of a risk management process as such, but rather depicts the current risk situation in pension insurance companies and introduces the idea of a new asset allocation model. Therefore, it is not meaningful to conclude this case as in the other cases using the RM process framework. Instead, the case is summarized by listing the key points regarding risk management in a pension insurance company in general.

**Risk management in a pension insurance company**

- The main activities of a pension insurance company are underwriting business and investment of capital. Pension insurance companies hold substantial financial investments, because pensions are partly funded in advance.

- The main risks of the underwriting business are related with the average length of pensions as well as pension starts and sizes. The insurance portfolios of the major companies are so large that reinsurance is not justifiable financially. As a result of regulations and governmental guarantees, the underwriting risks of a pension insurance company are ultimately carried by policyholders and the Finnish taxpayers.

- The main investment risks are market, counterparty, liquidity and exchange rate risks, the most significant one being the market risk. It is managed by diversifying between different types of assets (cash, bonds, shares, real estate and loans to policyholders) and within each asset type by country, sector and company. The asset allocation mix affects both the return expectations and the risk level of the portfolio.
With the purpose of securing the employers’ future pensions, the Ministry of Social Affairs and Health restrict financial risk taking of pension insurance companies by setting target zones for their solvency capital. The most important of the limits, the solvency border, includes a buffer that, in theory, corresponds to the one year 97.5% Value at Risk of the investment portfolio. By placing money in less risky asset types (e.g. bonds), a company can lower the solvency limits.

**Risk Identification**

In order to manage risks when implementing a change in management, first one must identify associated risks. Bujnowski (2007) describes five risk sources where specific risks are likely to occur:

- **Cost-based risks** outline non-achievement of financial benefit. Typical cost risks include external contractors overspending and additional costs in changing and solving design, application or operational problems.
- **Schedule-based risks** focus on missed milestones within a specified time period. Typical schedule-based risks arise from extensions, scope changes and resource unavailability.
- **Technology-based risks** represent a lack of accomplishment in relation to solution specifications and benefits. Typical risks in this category include new and non-standard platform technologies, integration problems with existing IT applications/systems, technical platforms where functionality is not delivered, communication infrastructure inadequacies and overall system operability.
- **Operational-based risks** focus on organizational and business process changes that arise after deployment.
- **External-based risks** consider environmental factors that are largely outside the control of the change management team and stakeholders, which can directly and/or indirectly affect the successful delivery of change. Typically, external risks arise from legislative regulations, legal requirements, customer satisfaction (or lack thereof) and market communications.

**Risk Analysis**

The process in which risk identification takes place is called risk analysis. Risk analysis identifies risks and uncertainties to the project team and stakeholders, and the process includes creating a list of uncertainties that can help to identify potential risks. An example of a list of uncertainties that could affect a change management process follows:

- Tasks involving third parties
- Use of unfamiliar technologies or emerging technologies
- Institutional restraints
- Insufficient skill levels
- Recruitment and retention of staff
• Professional development for staff
• Supply of equipment
• Equipment failure
• Equipment support and knowledge
• Changes in technology
• Digital rights management
• Clear workflow
• Quality control
• Undefined goals
• Compliance to standards
• Preservation and sustainability of resource

**Risk Assessment**

Once risks have been identified via the risk analysis process, a *risk assessment* must be conducted. Risk assessment is the act of evaluating the potential severity of a risk or uncertainty in order to assess the appropriate resources needed to address this risk in the most efficient and effective manner, should it occur. To fully review the seriousness of a potential risk it is necessary to weigh the impacts the risk would have in terms of costs, time and quality of resources.

**Table 1 – Impacts on Cost, Time and Quality of resources**

<table>
<thead>
<tr>
<th>IMPACT</th>
<th>COST</th>
<th>TIME</th>
<th>QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>Can be met with current funding</td>
<td>Slight slippage of internal targets</td>
<td>Slight reduction in quality, with no overall impact on usability/standards</td>
</tr>
<tr>
<td>Low</td>
<td>Requires some additional funding</td>
<td>Slight slippage against key milestones or published targets</td>
<td>Significant elements of scope or functionality will be unavailable</td>
</tr>
<tr>
<td>Medium</td>
<td>Requires additional funding</td>
<td>Delay affects key stakeholders</td>
<td>Significant elements of scope or functionality will be unavailable</td>
</tr>
<tr>
<td>High</td>
<td>Requires significant additional funding</td>
<td>Failure to meet key deadlines</td>
<td>Failure to meet the needs of a large proportion of stakeholders</td>
</tr>
<tr>
<td>Very High</td>
<td>Requires substantial additional funding</td>
<td>Delay jeopardizes viability of project</td>
<td>Project outcomes effectively unusable</td>
</tr>
</tbody>
</table>

After the probability and impact of a risk has been estimated, the potential seriousness of the risk can be identified. Measurement of the probability and impact of risks can be numeric or qualitative. JISC infoNet suggests the use of a five-point scale.
To more precisely calculate the relative seriousness of a risk, one should multiply the risk’s probability score by its impact score. A potential drawback to this approach is that it does not take into account the relative potential seriousness of probability and impact. A risk that has a high probability of occurring, but has a low impact on the change could obtain the same severity score as a risk that is unlikely to occur but could threaten the success of the change, using this technique. A way to overcome this deficiency is to increase the relative weight afforded to high impact risks (i.e., the numeric value assigned to a risk will double as one moves higher up the impact scale). Thus a risk with a low probability, but high impact will be identified as potentially more damaging than a risk with a high probability, but low impact.

Mitigation Plan
Once the risk assessment has been completed, one must develop a risk-mitigation plan. The development and management of such a plan, along with staged rollouts will validate a company’s processes and technology. A mitigation plan should provide the following information:

- A risk profile, which describes the probability and impact of a risk occurring
- Priority List ordering and assigning which risks the team will focus on
- Specific Measures that mitigates each identified risk
- Accountability assigning risk-management tasks to specific individuals
- Tracking Metrics that monitor and update the status of risks as

Identifying risk scenarios can have a significant impact on an institution’s ability to carry out its business should a risk occur (JISC InfoNet, 2008). An example of a risk scenario are the specific steps that an organization would take under the circumstances that a new administrative system fails to go live on time. The contingency plan for this scenario might be to carry on using the old system, and under these circumstances, the following questions should be considered.

- Is this feasible?
- What essential maintenance will be required?
- Do we have the necessary skills?
• When will be the next opportunity to upgrade systems?
• How will we transfer the data?
• What additional costs will we incur?
• How will this impact our clients?

Other alternative contingency plans may include carrying out the process manually or contracting it out to someone else, should the new administrative system fail to go live on time. Regardless of which plan is chosen, many of the same questions would arise. The number of scenarios requiring a full contingency plan depends on the size of the project.

**Contingency Plans**

A manager always needs to be asking herself, “What if?” Since projects involve uncertainty and risk, it is wise for one to develop a contingency plan. A *contingency plan* is an alternative plan that states what one will do if the new business process is not creating the efficiencies that were expected with the change implementation. Contingency plans are alternative plans that can be implemented quickly should a crisis occur, and they allow managers to change courses almost instantaneously; instead of having to respond under pressure when one is less likely to carefully consider all options (JISC InfoNet). The HP case study below speaks to the importance of a strong contingency plan.

---

**HP Case study**

*When Bad Things Happen to Good Projects*

*By: Koch, Christopher. CIO, 12/1/2004, Vol. 18 Issue 5, p50-58, 6p, 1 chart, 3 bw*

HP's project managers knew what could go wrong with their ERP rollout. They just didn't plan for so much of it to happen at once.

It goes against human nature to always expect the worst. But with IT projects, pessimism—otherwise known as contingency planning—is the only way to keep small technology problems from becoming full-blown business disasters. Too bad no one can bring themselves to do enough of it.

Christina Hanger had little reason to be pessimistic in May 2004, when she was moving one of Hewlett-Packard's biggest North American divisions onto a centralized ERP system from SAP. As the leader of an IT consolidation project rooted in HP's acquisition of Compaq two years earlier, Hanger, HP's senior vice president of Americas operations and IT, had an unbroken record of success migrating five product groups within the two former companies onto one of two SAP systems.
Hanger had every reason to believe that the sixth would go well too. Even so, she knew to be prepared for problems. At approximately $7.5 billion in annual revenue, the division involved with this latest project, Industry Standard Servers (ISS), is much larger than any of the others that Hanger had migrated to SAP to that point. So Hanger took the contingency plan that her team had developed for the other five migrations and adjusted it to accommodate the ISS division's larger sales volume. She planned for three weeks of IT snafus, mostly focused on what might happen as a result of tweaking a legacy order-entry system to work with the new SAP system. The contingency plan addressed business impacts too. HP banked three weeks' worth of extra servers and took over an empty portion of an HP factory in Omaha to stand by for any overflow of orders that needed special configurations (for example, an unusual component or software combination) and could not be stockpiled ahead of time.

But the plan wasn't pessimistic enough. Starting when the system went live at the beginning of June and continuing throughout the rest of the month, as many as 20 percent of customer orders for servers stopped dead in their tracks between the legacy order-entry system and the SAP system. As IT problems go, this wasn't too big: Some data modeling issues between the legacy system and the SAP system prevented the SAP system from processing some orders for customized products. These programming errors were fixed within four or five weeks. But Hanger and her business colleagues from the ISS division who were on the project steering committee never envisioned the degree to which these programming glitches would affect the business.

Orders began to backlog quickly and HP did not have enough manual workarounds to keep servers flowing fast enough to meet customer demand. Angry customers picked up the phone and called HP—or worse, arch-competitors Dell and IBM. In a commodity market such as servers, customer loyalty is built upon a company's ability to configure products to order and get them delivered on time. HP could do neither for much of the summer. In a third-quarter conference call on Aug. 12, HP Chairman and CEO Carly Fiorina pegged the financial impact at $160 million: a $120 million order backlog that resulted in $40 million in lost revenue. That's more than the cost of the project itself, which AMR Research estimates to be $30 million.

The headlines all claimed an IT disaster, but in fact, HP's disaster resulted from a few relatively small problems in IT that snowballed into a much bigger problem for the business: the inability to cope with the order backlog. This was a disaster that could have been prevented—not by trying to eliminate every possibility for error in a major IT system migration, which is virtually impossible, but by taking a much broader view of the impact that these projects can have on a company's supply chain.

In retrospect, HP CIO and Executive Vice President of Global Operations Gilles Bouchard does not see the data modeling problems between the legacy and SAP systems as the source of the $160 million impact. He focuses on HP's inability to keep pace with orders in the supply chain once the problems were discovered. "It was mostly capacity issues, material issues and factory issues," he says. "We had a series of small problems, none of which individually would have been too much to handle. But together they created the perfect storm."
Questions:
1. Areas of risks in change and new technology implementation have been discussed in this chapter. Which of these areas of risks have been reflected from this case?
2. Why do you think HP’s contingency plan failed? What is the problem with Hanger’s contingency plan?
3. Do you have any suggestions for Hanger to improve the contingency plan?
4. Convention says that to ensure a problem-free transition to a new system, there should be a redundant system ready to handle things if the rollout goes sour. At the very least, there should be a "rollback" strategy to go back to the old system if there is an issue. Do you agree with it? Why or why not?
5. This is a very typical case for shaping contingency plan for IT transition. What do you learn from it?

PRACTICE RUNS

What Are Practice Runs?
Once one has considered a contingency plan and considered risk management, conducting a practice run is a good idea. Performing a Practice run of a change before it occurs increases the knowledge of key organizational stakeholders surrounding the change implementation. The practice run is an actual run through of the actions that managers and business partners alike will take when the actual change is implemented. Practice runs are a sort of dress rehearsal of the change implementation that helps management to identify overlooked flaws, with the hopes of improving the change process.

While practice runs can be done at any point in the process of designing or brainstorming a change project, it is essential to do a practice run before formally implementing a project for a number of reasons.

- First, practice runs identify process weak spots. A practice run forces recognition of those areas of an implementation plan that may be missing details or potential problem areas.
- Second, practice runs clarify vague details.
  - If there is project documentation, practice runs improve the strength of documentation by forcing a review of the materials and the processes described.
  - Clarification is also essential for potential future audits. (e.g., if anyone questions why a particular step was taken during project implementation, the project team must be able to justify its decisions. To do that, they must understand as many of the details as possible.) Thus, practice runs also create and facilitate understanding of the change, both within the project team and across the organization at large. While much of the value of the change is ideally communicated throughout the actual implementation phase, practice runs can serve as valuable resources when answering questions.
• Third, and possibly most important, practice runs validate previous work. The project team, up to this point, has worked largely in an environment where it was unsure whether the proposed change would translate properly into the reality of the organization and its culture. It is important, then, that the practice run serves as a check against the organization’s culture and the current state of its operations to ensure that the work done up to this point was properly executed. This validation is not just for the project team; rather, the organization itself can be given a visual sign that the work of the change team has generated concrete results.

Practice Run Considerations
There are a number of things to take into account when planning practice runs. First, how many runs will be needed? While there is likely no fixed number that will work for every change management project, since so much depends on the size of the project, amongst other factors, there is a point of diminishing returns at which further practice runs only serve to delay and frustrate the project as a whole. Consider:

• How large is the scope of your project? The larger the project, the more runs one will have to conduct in order to identify process weak spots and clarify details.
• How many people are involved in implementing the change management project? The more people involved the more runs one will need to conduct to create and facilitate understanding across the project team and the organization as a whole.
• How much time is available for the project as a whole? If the project is time-constrained one may have to cut down the number of practice runs he can conduct.
• What is the level of complexity of the change? Changes to organizational structure may not be as easily rehearsed as the implementation of a new customer order tracking process.

As mentioned above, the number of people involved is an important consideration when planning for a specific number of practice runs. However, it is also important to consider the number of runs for other reasons. First, the more people that are involved in a practice run, the more people that will need to be trained during the practice process and trusted about the upcoming changes. Second, one must also consider where these people sit within the organization. For instance, if the only participants are front-line and middle managers and no line workers or executives are considered, it may be sign that the execution plan needs revisiting.

The scope of the project – the definition of the end result or mission of your project – also needs to be considered when planning practice runs (Gray, 2008, p92). The broader or narrower the scope of the project, the more likely you are to need to adjust the detail and requirements of your practice runs. Consider also the intended audience of the change: does the change impact people internal to the organization or does it impact customers and suppliers? External stakeholders can make practice runs trickier to execute because they lie outside the organization’s internal realm of control. Closer collaboration between representatives of the people affected by the change may be required in order to make a practice run successful.
The quality of the documentation of the proposed change is also an important factor in how well a practice run will be executed. Change projects that are less formally documented can make practice runs extremely complicated, since the change itself is not well established in writing. At the same time, documentation should not be set in stone; the team implementing the change must be able to change parameters and details quickly in order to make the change successful. The finality of the documentation will determine the focus of the practice runs for the project.

Lastly, one must consider how soon the change will be implemented. If the project is a long way from becoming a reality, practice runs may focus on less substantive aspects of the change itself. On the other hand, if the change is set to be executed in a short period of time, practice runs should likely focus more on the details of the implementation and less on theoretical issues (such as how to justify the change to others).

**Executing the Practice Run**

Actual execution of a practice run should focus on running through the documented processes that are in place that describe what the change is and how it impacts the organization. Note that these practice runs should include all aspects of the change project, including any contingency plans that have been implemented. These practice runs are a way of assessing the status and readiness of the change at hand. Thus, there are several steps that must be taken when one completes a practice run.

Namely, documenting what happens during the practice runs as well as the results of those runs is critical to the success of the entire change process. The key to solving many problems within a change process lies in the careful and complete documentation of the practice runs. The documentation also has the added benefit of becoming a reference point when the change is actually executed. Finally, documentation is proof that care has been taken in preparing the change for the organization itself.

But what do you do with the documented results? The best thing to do is use the results to tweak the change process, using what is observed during the practice runs as justifications for each change. For instance, if the change is to implement a new customer order system and the practice runs found problems with the software installation steps, the observed problems in the practice runs would allow the team to make changes to the documentation and the processes as appropriate, using the documentation that found the problem as justification for the change.

The practice runs are also a reality check for the change process itself. They serve as an assessment of the status of the change project, but they also serve as a point where the change team can pause and assess the project as a whole. Practice runs are an excellent opportunity to ask **who, what, when, where, why, and how**.

- **Who has the authority to allow us to continue with this change after the practice runs?** Ideally, the executive sponsor for the project can give the green light to continue with the change based on the findings of the practice runs and the changes made after the
runs. The approval at this stage signs off on the change itself, re-validating the organization’s support of the project.

- **What have we learned from the practice run?** As noted earlier, using the documented results from the practice runs is a key part of making sure that the proposed changes are made as seamlessly as possible.

- **When can we best begin the change process based on what we know after the practice run?** The timing of any change process is crucial. Ideally, the process for change was started at a time when change would be most accepted and the people leading change have gotten buy-in, but doing an assessment of the current reactions to the change after practice runs is an important reality check.

- **Where do we focus our efforts based on the findings from the practice run?** Practice runs are worthless unless the results are used in some concrete manner.

- **Why did we see the results we did (or why didn’t we see what we thought we would)?** If the team expected something to happen during the run and it did not, why not? What changes need to be made to be sure that the team sees the expected results?

- **How do we use this practice run to show progress to the rest of the organization?** Communicating the progress of change is crucial to maintaining organizational support for the change.

One results of a practice run may be a discovery that the change is no longer beneficial. The best question to ask is whether the change management process should still continue as a result of the practice run. The answer to that question determines whether the change should continue as planned.

---

**Support**

Support plays an important role in implementing change successfully. Providing support ensures that the transition from the current state to the desired state remains as smooth as possible. An ongoing change process requires dedicated support over time to adapt both the organization and the technology to changing organizational conditions, use practices and technological capabilities. (Orlikowski, 1997).

**Supporting People**

The management of people is a core issue in change management. The task of managing will be simplified if an efficient and staff-centered support system is present during implementation. It is common knowledge that employees resist change (Strebel, 1996; Kotter, 2002). It is the task of the support system to decrease this resistance by providing methods that employees can align with the, during the change implementation. Three ways that organizations can produce an effective support system is by creating communication channels, providing necessary training (which includes training on technology, industry trends and concepts of organizational change) and lastly, by encouraging employees to feel empowered.
The new communications channels should communicate the vision of the change initiative deep into the organization. Employees who do not have executive-level visibility likely do not share the same vision as management and, for this reason, they will have different notions of change, some of which may be negative. A support system will provide the capability of scheduling monthly meetings (in-person or webcasts), where anyone from the company can ask questions regarding the upcoming change. Employees who perceive their organizations and working environments (that is, their psychological climates) more positively are more likely to appraise change favorably. Such employees adjust more easily to their new environments and report higher job satisfaction, psychological well-being and organizational commitment. Likewise, they have lower rates of absenteeism and turnover (Martin, 2005). Some support systems methods to create a positive psychological climate include organizing events to spread the vision of change and conducting counseling sessions to alleviate any concerns or stress that employees may have due to upcoming changes.

As a part of change efforts, organizations have to provide training to use new technologies that will emerge because of process reengineering, restructuring or mergers. This training can also be used to supply information about industry trends and concepts of organizational change. One of the popular models of providing training is a “three tier training” strategy (Huang, 2002), as shown in figure 7-1.

![Figure 7-1: Three Tier Training Strategy](image)

This model suggests that technology training can be provided on the basis of user needs. The majority of users require only basic and common knowledge about using a technology product. Only a few employees will need training specific to business applications, and out of these, only a few will require very specific functionality that can be learned by providing just-in-time training. The following discusses in detail each tier of Huang’s training model:

1. **General Technology Education**: General training is an ongoing activity that usually happens when new employees are hired. However, the company should encourage the participation of other employees in case they want to brush-up on concepts. General training should encompass topics such as basic networking, simple office software usage and computer hardware. However, the training should also cover topics that are specific

---

234
to the company (i.e., how to use the helpdesk and support processes or the file backup requirements). Depending upon the company’s domain, these general training sessions can help to convey information about changes in financial procedures and legal requirements. The training can be provided by instructors, manuals or tutorials.

2. **Business Application Training:** Business-specific application training should be provided before an application’s implementation to users who have already received General Technology Education. This training should be specific to business applications that a user is going to work with on a daily basis. The emphasis is on making sure that the user feels comfortable working with different user interfaces specific to these business applications. The training should be designed such that the user is able to understand the intricacies and logical workings of the whole application. If these goals are achieved, users will feel comfortable performing unanticipated tasks related to the application.

3. **Just–in–time (JIT) Training:** Just-in-time training should be provided to users when they are using newly designed business processes and applications. The emphasis is on providing hands-on training in the user’s working environment. In other words, the trainer has to work with the user to perform a particular task on-site. This training can also be carried out by developing a simple set of instructions for performing a task and providing these instructions to users in either an application manual or via CDs. In some cases, it might be better for a user to call a help desk that can guide them through the task. Some companies prefer to provide this training right after a change is implemented.

It is also the work of a support system to decide how the training will be provided. This training can be provided in a combination of ways, including e-learning, in-person training and phase-by-phase methodologies, amongst others.

Another significant aspect of the support system is to support feelings of employee empowerment that occur when organizations change. Since the decision making power shifts towards employees, it is beneficial to provide information during the decision making process. This information can be deployed through helpline services and IT systems. Depending on the needs of an organization, the helpline service can be designed as an automated or manual system that is available 24x7 or only during office hours.

Support systems may also come in handy when employees are laid off, due to organizational changes. Support can be provided to the Human Resources department in bringing in external consultants that help employees deal with the new circumstances either through counseling or by providing support for a job search.

**Support for Processes**

Organizational change might affect the processes spread across the organization. The support system can archive the documents related to past processes, the mapping that has been done for the transformation from old to new processes and information about the new processes. Such documents can aid organizations in minimizing the problems that might occur because of changes in processes.
Support is an organizational activity that plays an important role during change implementation. It assists the implementation team by supporting the employees, customers and processes. However, organizations do not need to employ all of the support activities outlined above; rather, they a team should customize these strategies based on their needs, culture and organizational environment. Strong supportive techniques can be seen in the new change management implementation plan set forth by Ashland Inc. described in more detail in the Ashland Case Study below.

**Ashland Inc. Case Study**

Ashland Inc. is a FORTUNE 500 diversified chemical company providing innovative products, services and solutions to customers around the globe. Ashland has sales and operations in the U.S. and in more than 100 countries worldwide. Ashland Inc. divisions include: Ashland Performance Materials, Ashland Distribution, Valvoline and Ashland Water Technologies.

In 2002, Ashland’s earnings were off track. Operating costs were high and redundancy was present throughout the business groups. The net result was lower than expected share value. Ashland’s former Senior VP of HR, Dwight King believed the root cause of these issues to be a change-averse organization. “We didn’t have capability, competency or desire. Change was not something we did well. We would mandate that we would do something different and call that change.” By 2003, Ashland recognized that it change implementation had not been conducted effectively. Ashland’s poor implementation resulted in a complete shutdown of its west coast operations. Ashland’s poor results were due to execution of a multitude of different approaches on change management from different vendors.

**Ashland’s tactical implementation of change management:** In 2004, Ashland conducted an internal review and external due diligence process, and selected the ADKAR approach as a standard methodology for implementation of change management. Certification programs taught by Prosci were delivered to mid-level and senior managers. Executives attended sessions designed to create awareness of the need for great executive sponsorship and these sessions provided specific sponsorship roles for executive leaders.

Ashland’s Enterprise Change Management (ECM) Deployment Team, created in May of 2006, began to drive the change management implementation effort deeper into the organization. The team was originally led by Hank Waters and was comprised of a diverse group including Pam Yost, Carol Chistobek, Jerry Prochko, Lisa Ireland, Mark Lambeth, Stacy Dunbar and Vonda Melton. Having a high profile leader like Hank Waters was an important first step in gaining momentum throughout Ashland. Hank was a charismatic leader, and the fact that the team reported to a leader in the business provided additional credibility and ground cover. Within three months, an ECM Steering Committee was formed to provide oversight for the ECM Team. The Steering Committee included the heads of HR, Corporate Communications, IT, EHS and two business unit leaders. The steering committee gave direction and also became an important avenue for driving change management implementation further into the organization.
The deployment team had three initial objectives:
1. Retrofit projects that were already underway with change management plans and strategies.
2. Integrate the project management and change management practices.
3. Build competencies throughout the organization, as the ECM Team could not be everywhere at once.

**Objective 1: Retrofitting existing projects:** In June 2006, the team began retrofitting several major Ashland initiatives to the Prosci methodology including. Dedicated change management resources were assigned to each of the five major initiatives in an attempt to make an immediate impact.

**Objective 2: Integrating project and change management:** In August of 2006, the team developed a workshop that integrated project planning and change management. This “boot camp” was used to help new project teams evaluate the challenges they faced and develop project and change plans at the initiation of the project. The first workshop was conducted for the North American implementation of the EH&S Responsible Care project.

**Objective 3: Competency building:** The ECM Team developed a training curriculum for five key audiences: Executives, Managers and Supervisors, Practitioners, Intact Project Teams and Employees. Two members of the ECM Team, Mark Lambeth and Vonda Melton, became certified trainers in the Prosci Methodology. A key breakthrough on the competency building front came when Peter Rijneveldshoek, a former business unit head and member of the ECM Steering Committee, was named president of Ashland Europe.

In preparation for the pending SAP implementation, he requested that all 200+ managers in Europe attend change management training. The ECM Team also focused on the sponsorship by the Operating Committee. In April 2007, the team conducted a series of assessments and professional development sessions with the 12 members of the Operating Committee and the CEO. The assessments helped these leaders understand what sponsorship really meant and how well they were fulfilling the role. The team followed-up with coaching sessions and the development of sponsorship roadmaps to help the team continue to develop their skills as sponsors.

The change management implementation is now under a new organization called the Enterprise Optimization group. The net result of this journey for Ashland was substantial change between 2003 and 2008. Ashland made significant inroads to achieve their vision and build a platform for growth.

---

**External effects of implementation**
Change management is a highly complicated process and the implementation process can have significant consequences on unintended organizational departments or even external stakeholders, such as customers. The organization can be divided into two groups: the change implementation group and the change recipient group (Tenkasi & Chesmore, 2003). The implementation process can have negative impacts, caused by the change implementation group, on the change recipient group. In order to mitigate the impact of the implementation on the change recipient group, the misunderstanding and resistance moods in the recipient group must be reduced.

There are three ways to mitigate the impacts of implementation of change on the change recipient group: Strong Network Ties, Competency Management and Leadership Enhancement.

**Strong Network Ties**

‘Strong network ties’ is a concept proposed by Tenkasi et al in a paper titled “Social Networks and Planned Organizational Change-The Impact of Strong Network Ties on Effective Change Implementation and Use.” As mentioned earlier, Tenaski et al see an organization as composed of two main networks: the change implementation network and the change recipient network. The change implementation network includes the various units responsible for implementing the changes. The change recipient network includes the multitude of units who are receiving the change. Strong ties between and within the two networks are crucial for successful change implementation. Instead of weak ties, “strong ties” are underpinned here. Tenaki et al say: “The strong ties model suggests that change is more likely to be successfully accepted, understood, and implemented when the social network in the organization is densely interconnected with many redundant strong ties” (Tenaki et al, 2003).

In order to insure that there are strong inter-organizational ties within and between the two networks, two challenges need to be faced with: The Knowledge Transfer Challenge and The Learning Challenge. The Knowledge Transfer is a challenge that one faces during implementation. When an organization implements change, there are many new concepts, structures and technologies, all of which are defined as knowledge here. Within the two networks, the change implementation team understands the new knowledge well, while the change recipient network knows little about the new knowledge. For this reason, the new knowledge must be transferred from the source network to the recipient network, when changes are implemented. But since the changes are often complex, strong as opposed to weak ties facilitates a strong knowledge transfer process.

Unlike the knowledge transfer challenge, the learning challenge occurs after the change implementation. The learning process is imperative because staff must know how to use the new architecture or system, in order for the system to succeed. In summary, strong ties between and within the two networks strengthen the communication between different units of the organization which alleviates individual misunderstandings and resistance to changes that are being implemented. These techniques allow for the impacts of change implementation in other parts of the organization to be mitigated.

**Competency Management**
Another technique used to mitigate the impacts of change on organization’s departments is competency management. Unlike Strong Network Ties - a method that is adopted during and after the implementation process - competency management is an approach that is used before change is. Competency management is used to define the competencies needed or required for the change. If employees do not understand what the change is about and exactly how they should work through the change process, the implementation may fail. To avoid this, and provide a more lucid idea of the upcoming changes, leadership should conduct a competency assessment, which will result in a resistance to change and fewer impacts on other parts of the organization.

L.E.A. Tovey described three approaches to competency assessment in his paper: “Meeting Business and Management Training and Development Needs through Competency Assessment” (Hussey, 1996):

1. **Strategically driven approach**
   Defining corporate-wide competencies which will be derived from the strategic drivers of the business and can be cascaded to all management levels and business functions.

2. **Job related approach**
   Taking the individual job as the unit for analysis and focusing on developing a skills profile around the technical, professional, business and managerial requirements of the job.

3. **Hybrid approach**
   Combining both of the approaches outlined above.

Likewise, *Harbridge Consulting Group Ltd* has developed a process consisting of five main building blocks, which can be selected and blended according to specific situation and needs (Hussey, 1996):

1. **The Strategic Review**
   Stage one is concerned with gaining a full understanding of the strategic requirements of the business and entails gaining a clear understanding of the business environment, the corporate mission and the business strategy being pursued. This represents the starting point for defining the strategic areas of competence for the business.

2. **Strategic Areas of Competence**
   It is essential at this stage to clarify and confirm the critical success factors for the business strategy so that areas of strategic competence can be identified. A strategic area of competence is defined as an area in which the organization must be competent if it is to succeed in its mission and which has implications for individual capabilities. For the organization to succeed, it is necessary for it to possess capabilities in each strategic area of competence. Together they are sufficient to achieve the mission. The list must therefore reflect the absolute minimum number of areas in which capabilities are required to accomplish the mission.

3. **Competency Requirements**
Competency requirements refer to the discrete dimensions of behavior that lie behind success or failure in a particular job or job category. Such dimensions may include knowledge, skills, behaviors and other factors that can be precisely defined and assessed for management development purposes and will be influenced by organizational level and culture.

Competency requirements are derived from three sources:

- The requirements of the business as reflected in the strategic areas of competence;
- The implications for the job itself, both in terms of business, professional and technical requirements as well as persona and managerial and leadership competencies;
- And from the organization in terms of the culture—and therefore the behavior required—and the level at which the individual operates.

i. Assessing Competency Requirements

By measuring the difference between competency requirements and the extent to which these are possessed by employees, the size of the training and development gap can be established and compared to the management’s current training and development provision.

4. Application

The effectiveness of these activities will depend upon a clear description of critical competencies which must be derived from the strategic requirements of the business.

5. Job and Business Performance

For the competency assessment to be successful, that is, impact on job and therefore business performance, it needs to be built around a sound strategic understanding of the company’s business.

Areas of risk in change management

Experience has indicated that the following areas of system implementation have high risk.

Requirement definition and project scope

Scope creep and unstable requirements are big problems in almost all major change implementation efforts, and prevention requires that there is constant user involvement. There should be continuous business staff involvement, and the IT staff will have to participate in these tasks too. There is a powerful and lengthy list of things that must be done by the staff, including:

- Analyzing the current business process and work
- Uncovering issues and problems in current work
- Defining the new business process
• Defining the benefits and how they will be measured
• Participating in design and development
• Involvement in software package evaluation and selection
• Participating in data conversion work
• Participating in testing
• Developing the training materials
• Developing the procedures for the new processes
• Training the business staff in the new processes
• Supporting the cut-over to the new processes
• Measuring the benefits after change and implementation
• Supporting on-going measurement of the process and work

Another method for reducing these risks is to revisit the business process and work to see if there have been changes after the requirements have been gathered. This will help keep the people involved in implementing the new processes in touch with those who are completing the work.

**Obtaining business specifications**

Business specifications are the detailed directions for how specific pieces of work or transactions are handled. As such, their understanding is key to whether the new process meets the requirements of the business and delivers the benefits.

Many business specifications are in the components or modules of the existing, old business processes. The process of establishing new specifications should begin by gathering business rules from the IT programmers and staff who support the old business processes. They tend to be more familiar with them than most of the business staff since they have to know their processes. Once business rules are programmed, many users then just assume they are there and do their other work. After the IT staff, the next people are the managers and the CEOs. These people are now useful here in that they can provide the business rules as well as how and why they were created.

**Process documentation and training materials**

It has already been pointed out that process documentation and training materials are properly the domain of the business staff. Following are some of the steps that must be taken in order to avoid the risk of improper or absent training materials and process documentation:

• Assemble and organize documents from past projects and implementations that can be used as models
• Have people develop procedures using the method of successive refinement. That is, the employees develop successively more detailed outlines. This will lead to reduced risk since one will know the status of the documentation at any one time.
• Have other business staff review end products for language, tone, politics and content. These staff members are the best people to do reviews.

**Process interfaces and integration**

Process interfaces and integration is an area of major concern. New processes do not operate in a vacuum. They have to interface with surviving parts of the old processes or with other processes. Some of the problems with interfaces are:

- Business processes change over time so that interfaces have to be monitored and maintained.
- Processes were written at different times by different people so that there are likely to be differences in meaning, format, creation and other attributes of data elements.

Process interfaces have to be designed in terms of content, timing, frequency, validation of interface, backup if there is a problem, recovery if there is a problem and format. Thus, interface information must be gathered early in requirements.

Similar comments apply to process integration. Design of integration of processes and how to test the integration are key ingredients to success. In fact, process integration is so important that it should be pulled out as a separate subproject.

**Data conversion**

Converting data from the old business process to new ones has been a real curse and problem over the years. Some of the problems with this process include:

- Missing data
- The data elements of the new process are more comprehensive than those of the old process
- The data elements of the new process have different meaning from those of the old process
- The data in the old process is of questionable validity and accuracy
- Data quality is bad in the old process

As with interfaces, analyzing of the current data should start early. Then the mapping is done into the data elements of the new process. Provisions for data cleanup must also be made.

There are some critical activities and areas to address in data conversion, including:

- What is the quality and nature of the current data?
- How does the data in the old process map into or relate to that in the new process?
- What data are missing?
- What will be done about the missing data? There are several options: live without it, add it to the old process and then convert it, or add it to the new process.
- What will be the conversion approach?
• What is the timing of the conversion? If one converts too early, then the data in the old process that is still in production has changed.

User acceptance of change
In traditional process change implementation user acceptance of change is a milestone left to the end. The expectations are that the users after seeing the new process will wholeheartedly endorse it and gladly accept it. However, this never happens. It is a human tendency to show resistance to any change.

A more realistic approach is to get as many different users involved in the new process implementation. Also, one will want the users to acknowledge the problems in the current process. Then they can be involved in the implementation phase. With these steps user acceptance can be achieved.

Moreover, just because a business manager accepts the system does not mean that the lower level business staff does. They may continue to do things the old way even after implementation and acceptance. This brings up the major questions of “what is acceptance?” and “what does acceptance mean if the lower level staff/users do not accept it?”

Benefits Attainment
Attaining benefits is a major concern. The ingredients of achieving benefits are the following:
• Initial definition of benefits
• Definition of how benefits will be measured
• Determination of what will happen when the benefits are achieved
• Implementation of the new process
• Measurement of the actual benefit
• Decision on what to do with the benefits

These are important. Just because one obtains these benefits, if he does nothing with them, then there are really no benefits. All benefits must be translated into tangible benefits. That is, fuzzy benefits should not be allowed. Let’s take an example of how to do the conversion from fuzzy to tangible. Suppose that the new process is much easier to use and is more “user friendly.” What does this mean in the real world? Training time should be less. Documentation should be simpler and faster to develop. There should be greater throughput of work. The time to do the work may be less. These are all tangible.

Process Measurement
Many organizations implement new business processes and then perform a post-implementation review. If this is successful and the business unit is not unhappy, measurement often stops. There
is no provision of ongoing measurement in IT systems implementation. This might turn out to be a big mistake. The system and process can deteriorate individually and collectively. Thus, there must be ongoing process measurement.

**Final considerations before new process implementation**

- Enhance or fix some of the problems in the current business process if this does not consume too much effort. This can buy time for the long-term solution.
- Improve or upgrade infrastructure so that the response time using the old process is better. This is not wasted since the new system may require these upgrades anyhow.
- Improve the network so that there is greater capacity and improved performance.
- Retrain users in how to use the old process properly.
- Make a shadow process more standardized and provide support for it.
- Involvement of business staff in analyzing existing process— the more and greater the involvement, the more likely will be the support for the change will be.
- Involvement of business staff in benefits estimation—this is critical since the business staff will be analyzing the benefits later.
- Number of exceptions to be included in new process—the more exceptions that are included in the implementation normally means trouble since the elapsed time will be longer for implementation.
- Extent of replacement of shadow process by the new process—the more functions of shadow process that are replaced by the new process the better.
- Having the new process provide automated performance information helps in on-going measurement of the process and deterioration.
- Elapsed time of process implementation—this is critical; the longer the implementation, the more the requirements change. This leads to less user confidence in the new system and more chance of erosion of management support.
- Amount and extent of new technology employed

These things may seem like wasted effort since a new process is being implemented. Even as one may not want to divert resources from the new process implementation to these tasks; these negatives can be offset by the benefits that are provided as well as the time bought for new process implementation.

**Learning from the implementation process**

Clearly, the change management implementation process is a complicated one. Even after the actual implementation has been completed, though, the process is not quite finished. Instead, a post-implementation assessment must be completed from which managers can learn about their mistakes and about which processes resulted in success during the implementation process.
One technique that should be used to measure the effectiveness of the change process is stakeholder surveys. Surveys should be administered to employees, customers and any other stakeholders who were affected by the changes. The surveys should ask, among other questions: What worked well? What could be improved? The results of the surveys should be analyzed for glaring mistakes in the change management process. Once mistakes have been identified, a log of all the things that didn’t work should be created and maintained in a company database for future reference.

Another important technique that should be considered, when major issues are encountered during implementation is a post-mortem investigation (an examination and analysis of the root cause of a problem). As Peter Stephenson of Elsevier Advanced Technology points out, the general procedure for conducting a post mortem is (Stephenson, 2003):

- **Get the lay of the land.** To do so, one should inspect network maps and interview key witnesses.
- **Collect evidence.** Gather every log and document possible, whether it seems to be useful or not. Because it is unclear what happened, one cannot really know what he is looking for, and so it is better to gather too much than too little.
- **Collect a set of incident hypotheses.** At this point a larger quantity of theories is more important than quality.
- **Conduct thorough interviews.** Assemble as much detail as possible about what happened. In preparation for the interviews, it is helpful to prepare with a knowledgeable person, a timeline of the observed events. The timeline can include events from the perspectives of many different groups such as network operations, users, etc. It should also include all meetings held by involved parties – and the purpose of those meetings. The timeline can also include information about who was notified of the event and when. Once the timeline is complete it should be used during the interviews to help jog the memories of the participants. During interviews, inconsistent answers should be noted and repeat interviews should be conducted to attempt to resolve these inconsistencies. With serious incidents, cover-ups are common.
- **Process physical (digital) evidence.** Use of timelines and analysis techniques should be used to reduce the amount of data.
- **Refine hypotheses, rejecting those that are not supported by facts.** As facts emerge, new hypotheses are likely to be unearthed, and these theories should be considered as well.
- **Test likely theories.** Once the pool of likely hypotheses has been down to a few likely incidents, test them carefully against the facts. One should look for counterexamples and other reasons that might discredit a given theory.

Conducting an incident post mortem is an important step in the process of change management implementation learning. However, the quality of the investigation is important. Investigators must not let company politics – such as exemption for upper-management – get in the way of a successful investigation. The analysis should be complete and impartial, otherwise, no one will
truly benefit from the investigation. Likewise, skilled investigators must be employed to ensure that a quality investigation is conducted, without finger-pointing. Identifying the proper investigative team within an organization can be challenging, but for the most part, teams should consist of seven types of people: a quality manager, network specialists, code specialists (if the investigation is a technical one, business process specialists and lastly a team leader. Another option for staffing a post mortem investigation is to hire outside consultants. While consultants are an appealing option because they are likely to be qualified for such an investigation, they are often very expensive and should only be used in the most catastrophic of incidents.

Investigating errors in the change management processes is an important last step in change implementation. Without such examinations, businesses will likely make the same mistakes again and again, and it is unlikely that such a business will survive.

---

**Summary**

Implementing change requires a great deal of planning across a number of different disciplines, including workforce management and risk management. Implementing change is an exercise in preparedness: ensuring that members of the organization accept and work with rather than against the changes; establishing clear accountability, not just for the change itself but for long-term planning around the change; making sure that you assess the risks surrounding the project properly; and, finally, creating contingency plans and executing practice runs, while also implementing a support structure within the organization to ensure success. While doing just one or two of these things might seem to suffice, the authors argue that it is the combination of all these efforts that will allow for a truly successful change implementation.

Every organization is decidedly distinct; the level to which change teams mix these tactics in order to successfully execute change depends heavily on cultural and political factors within the organization. Determining the right blend is an art; however, it tends to be better to over-prepare than to ignore completely a critical factor influencing the success of the change. Consider carefully the organization, its culture, and the environmental influences that it operates under while preparing for implementation, and success – while perhaps not a certainty – at least becomes drastically more likely.

---

**CASE STUDY**

*This case study is based on the case study written by Allen.*
The Universal Clinic (UC) headquartered in Seattle is a network of six multiple-practice clinics founded in 1998. UC was created as a result of a merger of two successful practices. The Clinic has around thirty certified physicians, the majority of which were trained at the University of Washington Medical Center. They are considered to be the best in their fields and have 100 years’ cumulative experience. They have a history of providing excellent health care throughout the Greater Seattle area. The Clinic also employs advanced nurse practitioners and physician assistants. The clinics have around thirty staff members under the supervision of five managers. The six clinics are spread across various Seattle neighborhoods. The geographical distance between clinics, the arrival of faster broadband internet, newly issued regulatory compliance directives, and the number of employees encouraged UC to search for a way to share patient information in a more efficient and secure way. This search resulted in the establishment of an Electronic Medical Records (EMR) system at UC. The importance of EMR was identified early by Clinic management; therefore, this change vision was communicated, planned, and was ready for implementation.

UC took a conservative approach towards the results after EMR implementation. It was expected that the physicians would not record patient information on paper after one year of implementation. It was expected that the pre-EMR patient volume would be achieved within the first three months of implementation. To make sure that the work force (physicians, nurses, staff) were aware of this, each manager was accountable for the team’s acceptance of the EMR system. However, it was not expected that all users would convert to EMR systems from paper charts on the very first day of implementation. UC also took care to ensure that the workforce had sufficient resources for the successful implementation.

UC employed a three-tiered training strategy for its users. It was made mandatory for everyone across the organization to attend the general technology training provided by instructors who were employees from UC’s IT department. This made users comfortable in the training room and the initial fears about training programs were appeased. The business-application-specific training was also provided to the users. The majority of this training was provided by the vendor of the system. However, it was identified after one month of training that not all the users were on the same page. This caused UC to negotiate with the vendor to customize the training material so that it was specific to UC’s requirements. UC also felt that employees were overwhelmed by the amount of training as training was provided during regular work hours. UC determined that the patient volume would drop because of the upfront costs in the implementation process, but there was no contingency plan made to deal with the drop in service. This caused frustration amongst users as performance dropped because of training and because of the decrease in the number of work hours.

UC planned to test the system before it went live by using practice runs. Three practice runs were done for the system to test three different aspects: ERM use in stressful situations, ERM use in sharing patient data, and assessing the quality of the ERM system’s help documentation and resources. UC felt that it was necessary to identify the process weak spots, clarify the vague details of the application, and test the user interface of the application. The practice runs were scheduled such that they would not affect the normal working hours of the clinics. However,
normal work situations were simulated by manning the six clinics with pre-selected, trained employees and some “patients” (who were UC employees) whose data was to be entered and shared. Just-in-time training, the third training tier, was employed during the practice runs. Individuals who were the best performers in the first- and second-tier training, along with the vendor’s consultants, were present at each clinic and did a periodic inspection of the employees to identify the problems they were having while entering data. This helped in understanding how the user interface of the system needed to be tweaked, as significant breakdowns in the workflow process were occurring. It was also identified that a help line number was required during the normal working hours to solve users’ problems regarding the EMR implementation.

The results from the practice runs were helpful in understanding the importance of support, how the IT infrastructure was lacking, and the user’s commitment levels. During the implementation, there was a significant decrease in patient volume. Since there were no contingency plans, it created frustration among the patients as well as employees. However, with time, the acceptance of the system increased. The patient volume returned back to the pre-implementation levels within four months. Within one year of implementation, UC gained an increase in patient volume of three percent. The increase in patients was smaller, but the efficiency and comfort level of the employees was increased significantly as information sharing became fast and easy.

**Conceptual Questions**

- What contingency plans would you suggest to the Universal Clinic to support the implementation?
- What are the implications of the problems that occur with the three-tiered training model? How can it be solved?
- The case does not mention the time frame of the practice runs. In your opinion, at what time before the go-live date should Universal Clinic schedule the practice runs? Why?
References


Chapter 8:

Following Through: Creating Metrics and Garnering Support for Change

A. Introduction
B. Types of Organizational Change
C. Measuring Impact
   1. The importance of metrics
   2. Balanced Scorecard
   3. Aligning metrics with change goals
   4. Summary of measurement methods
D. Rewarding and Coaching
   1. Motivation in the work group
   2. Training and development
   3. Learning curves and knowledge management
E. Communication and Change Management
   1. Communication’s role in organizational change
   2. Guidelines for good communication
   3. Communicating different types of change
F. Conclusion
G. Case Studies
   1. Using Applied Information Economics to Measure Information Technology Performance
   2. Using the European Foundation for Quality Management (EFQM) Model to support clinical practice development
   3. Institutionalizing the Transfer of Innovative Practices at HP
   4. Communicating Operational Change at Stantec
   5. Communicating Strategic Change at JPMorgan Chase
   6. Social Software at IBM

Appendix I: Jingjing Sun’s Emerging Issues Paper
Appendix II: Amanda Fonville’s Emerging Issues Paper
Appendix III: Nicholaus Malone’s Emerging Issues Paper
Appendix IV: Ramona Black’s Emerging Issues Paper
Chapter 8:

Following Through: Creating Metrics and Garnering Support for Change

Authors: Sathappan Thiagarajan, Subramaniam Ramasubramanian, Jin-Hyuk Ahn, Eric Bell, Yunju Chen, Trupti Deo, Amanda Fonville, Mayuko Masuda, Elena Tesoriero and Nicholas Malone

Chapter Objectives:

In this chapter you will learn:

1. The difference between Strategic and Operational Change,
2. Three different performance measuring tools: Balanced Scorecard, AIE and the EFQM Model,
3. How Performance Metrics work with business strategies,
4. To recognize factors that affect employee motivation,
5. How effective Knowledge Management can facilitate change, and

A. Introduction

Crafting a vision for change and conducting a change assessment sets up a path between where an organization currently stands versus where it wants to be, yet there is still much work to be done in order to complete the change process. Leaders will need to be able to determine if the organization is on track to meet its target as the project progresses, and ultimately whether the project was a success or failure. What kind of measurement tools can be used to help managers make these assessments? Leaders also need to keep in mind that some kinds of changes will really only begin to take place once it has been communicated to the organization’s workers and other stakeholders. Sometimes people react negatively to change; how can managers create a smooth transition to help minimize resistance and keep attitudes from sinking during times of
transition? Are there any preferred practices that can be suggested for how this should be done?

This chapter draws a distinction between two different kinds of organizational changes: 
**strategic** and **operational** changes. Depending on which type of change is being implemented, the change will be managed in different ways. We discuss several methods for measuring and evaluating change: **Balanced Scorecard**, and the **Applied Information Economics (AIE)** and the **European Foundation for Quality Management (EFQM)** models. After that, we examine employee **motivation** and **training** in the context of change and see how effective **knowledge management** can aid in measuring and establishing changes. Finally, we will look at the role that **communication** plays in organizational change.

## B. Types of Organizational Change

There are two main types of change: **strategic change**, which is concerned with broad, long-term and organization-wide issues, and **operational change**, which relates to new systems, procedures, structures or technology which will have an immediate effect on working arrangements within parts of an organization (Armstrong, 2008).

**Strategic change** covers the purpose and mission of the organization. It can affect corporate philosophy on such matters as growth, quality, innovation, values, customer needs, and technologies employed. These goals are supported by policies from marketing and finance to human resource management. Strategic change takes place within the context of the external competitive, economic and social environment. They also take place within the organization’s internal resources, capabilities, culture, structure and systems. Such changes are usually quite specific to the organization in question, and they may set precedents for subsequent strategic decisions within the organization. Strategic changes are often difficult to reverse once in motion (Armstrong, 2008).

**Operational changes** can have a significant impact on the daily tasks performed by employees and have to be handled just as carefully as strategic change communications (Armstrong, 2008). As one example of operational change, current online medical portals such as RelayHealth and American Well provide “virtual” doctor appointments. These only require video-conferencing software and a computer for the patient to connect to their physician. The main advantage of such services is cost reduction, as patients do not need to travel to see the doctor. With such easy access, more patients can be seen than in a conventional office. The drawbacks are in the areas of trust where direct patient contact is still required. It’s very difficult to put your health in the care of someone you’ve never seen. However, the future trend is to substitute face-to-face visits with virtual ones, and telecommunication technology has risen to the point where an HD TV can sit in for a physician. The potential expenses saved by virtual medical services may far outweigh the potential drawbacks.
C. Measuring Impact

1. The importance of metrics

A metric is a verifiable measure, stated in either quantitative or qualitative terms and defined with respect to a reference point. Ideally, metrics are consistent with how the operation delivers value to its customers as stated in meaningful terms (Melnyk et al., 2004). Metrics and performance measurement are the critical elements in translating an organization’s mission or strategy into reality. It also implies that metrics and strategy are tightly interlinked to each other and that “Strategy without metrics is useless; metrics without a strategy are meaningless.” (Melnyk et al., 2004)

For any organizational endeavor that has a purpose, there needs to be some form of pre-evaluation and post-evaluation. Evaluations attempt to measure the impact of change and give important information on the effectiveness of the steps taken. They may later be used for implementing further improvements or other related activities such as the revision of missions, vision statements, or creation of new strategy plans.

Ultimately, metrics help in perceiving and acting to business needs. With no scarcity of data sources and indicators, customized metrics that are tied to strategy could prove to be the difference between acting and reacting to business dynamics. The important aspect here is that, with the usual overload of information, these specialized metrics help in simplifying and bringing out what is really essential from a business perspective.

2. Balanced Scorecard

In the previous section we discussed the aspects of forward looking metrics against traditional measures that are backward looking. However, in our quest for forward-looking metrics, we cannot entirely do away with some of the traditional measures like financial metrics.

In the past when financial metrics worked well, the focus was on measures like Return on Investment, and Earnings per Share. Further financial measures like quarterly reports have been criticized for their short-term view of the business. In today’s environment, where the focus is on continuous improvement and innovation, newer measures like customer satisfaction, defect rates, and cycle times are more prevalent.

In the early 1990s Robert Kaplan and David Norton came up with a hybrid approach to solve this problem of performance measurement with a concept called the Balanced Scorecard. As the name suggests, the Balanced Scorecard tries to bring in a balanced perspective of all the critical measures that a business depends on.

The major shift in approach of the Balanced Scorecard was its focus on several other measures than just the financials. Their research compared the Balanced Scorecard to an airplane cockpit, whereby the pilots have access to varying types of seemingly unrelated data, all of which is crucial for the safe functioning of the plane.
The four perspectives of the Balanced Scorecard:

Each of the following points consists of a set of goals and their corresponding measures.

1. **Financial Perspective:** Some of the goals here are Survival, Success and Prosperity, which are measured by Cash flow, Quarterly sales and operating income and Market share, return of equity respectively.

2. **Customer Perspective:** Here the goals are to improving Time, Quality, Performance and Service and finally Cost.

3. **Internal Business Perspective:** Success is a measure of Technology capability, Manufacturing Excellence, Design Productivity and New Product introduction.

4. **Innovation and Learning Perspective:** Technology Leadership, Manufacturing Learning, Product focus, Time to market.

The Balanced Scorecard achieves the task of bringing together the many disparate elements of the company in a single report, with which management can make informed decisions. Another important aspect of the Balanced Scorecard is that it helps management to see the ‘big’ picture, and prevents conflicting decisions that may be advantageous to one section while being negative to another.

Looking at the four components of the balanced scorecard, it is evident that three of the measures – Customer, Internal and Innovation are all organization centric and are derived from the company’s view of the world and its perspective on key success factors, i.e., the organization’s view of the business. This is where the fourth component – financial perspective – plays the essential role balancing out these views.

Some further advantages of the Balanced Scorecard include,

1. Promoting cross functional integration,
2. Improving customer supplier partnerships,
3. Focusing on continuous improvement,
4. Enhancing team rather than individual accountability,
5. Helping managers understand the many interrelationships within the organization,
6. Keeping a company looking forward.
3. Aligning metrics with change goals

Kaplan and Norton claim that measuring can help crystallize strategy. They argue that,

“Even when the senior executive team thought they had prior agreement on the business unit’s strategy, the translation of that strategy into operational measurements forced the clarification and redefinition of the strategy. The disciplined measurement framework enforced by the balanced scorecard stimulated a new round of dialog about the specific meaning and implementation of strategy. And this dialog and debate usually led to elevating specific management processes into matters of strategic necessity.”

(Kaplan & Norton, 1996)

Importance of a scorecard that accurately depicts the business strategy:

1. Describes vision of the future for the whole business unit,
2. Creates shared understanding, and holistic model of strategy to employees and how they can contribute to improvement,
3. Focuses on change efforts,
4. Permits organized learning at the executive level.

While there are many forms of metrics, they are often quantitative or numeric in nature. And this numeric form could be representative of several important measures like finances, customer satisfaction, response time, quality control and so on. For instance, financial measures could be very powerful. But the problem with these is their tendency to “look back” and measure past performance. Such an analysis might come too late for managers, who could be surprised by unforeseen outcomes.

Unlike measuring past performance, the use of predictive metrics – metrics that are forward-looking – help in preventing problems proactively rather than reactively. These may include improving customer satisfaction, reducing turnaround times, and developing processes.

Slater, Olson, and Reddy attempt to explain the differences between picking up a set of generic industry specific performance measures versus aligning them with a firm’s strategy. One of their examples is about a company that is losing revenue and the subsequent actions by its management. Often times these seem to be reactive and more importantly knee-jerk reactive like immediate price cuts. When these don’t fix the problem they start with a more detailed analysis which may result in an incomprehensible deluge of data and trends. Slater, Olson and Reddy suggest that while trying to solve problems, managers should delve deeper and start looking at the data gathered with a systemic approach and try to understand why revenue was declining in the first place. In the example, it turns out that the company’s sales decline was preceded by the loss of few large accounts. The loss of these accounts was preceded by an increased time to fulfill orders, which was in turn was due to problems related to production. Such analysis shows the systemic nature of relationships among Key Performance Indicators (KPI) as well as the strategy levers.

The other aspect in coming up with KPIs should be precision versus timeliness of the indicators. While indicators needn’t be absolutely precise they should tend to convey the information in a timely fashion. Such an approach to strategy and performance measures while difficult to develop, would help creating forward looking metrics that are aligned with strategy.

4. Summary of measurement methods

Balanced Scorecard tries to bring in a balanced perspective of all the critical measures that a business depends on. It focuses on not only financial outcomes but includes the operational, marketing and developmental inputs that influence financial outcomes.

Applied Information Economics (AIE) is an analytical methodology that applies mathematical models to the IT decision making process. It uses techniques from economics, financial theory and statistics. It also uses Game Theory and Information Theory.
The EFQM (European Foundation for Quality Management) model is one of a number of quality system assessment evaluation techniques. It uses the principles of quality management with a focus on performance, customers, people and society. EFQM applies the ideas of Total Quality Management (TQM), a business management strategy aimed at embedding awareness of quality in all organizational processes. These are practical tools that can be used in self-assessment, benchmarking, and as a guide to identify areas for improvement.

D. Rewarding and Coaching

1. Motivation in the work group

Organizations recruit people to run their business and to attain strategic goals of their vision. Employees in turn form the core asset of the company. Therefore it is of utmost importance to keep employees happy at work and as well as in their personal lives.

Motivational Factors

According to Dibble, employees in an organization get motivated for four reasons: Salary, incentives, appreciation, and benefits. Raising salaries and benefits are widely used techniques to retain employees. Employees benchmark their paycheck in two ways: by internal comparison, and by external comparison (Dibble, 1999). Internal comparison refers to employees comparing their salaries with friends within the company, or by looking at job postings. Though organization strive to protect salary details with utmost confidentiality, employees would still find ways to know others salary. On the other hand, pay scale structure in other companies in the industry is much more visible to employees and thus becomes easy to benchmark.

Another key reason for employees to shift jobs is lack of appreciation in work. “Job Satisfaction” – this is a common reason cited for leaving a job. What do we really mean by job satisfaction? An employee’s job satisfaction is a product of:

1. How well their job title matches their job role.
2. How appreciated they feel by their managers and peers.
3. How challenging they find the work they are given.

One of the biggest challenges for companies is to match the skills of employees with a given job description. The reason is simple: business continues to change at a rapid pace and it is simply not feasible to freeze the duties for a particular job. In certain cases the gap between a job title and its assigned roles widens considerably. For example, in a software development firm an employee might be hired for a development lead, but due to resource conflicts they might be pushed to the role of a tester. This is a clear mismatch. The second attribute that contributes to job dissatisfaction is lack of appreciation for employees work from their fellow team members and their bosses. The third factor that leads to job dissatisfaction is when an employee does not feel challenged in their work. It could be argued that a lack of challenging work arises from a
mismatched job role. Conversely, even employees in the right role and title may become dissatisfied due to a lack of challenging tasks in their job.

Some employees have inherent motivation that is the natural commitment and drive needed to succeed in the work environment. But most of them are difficult to motivate even after incentivizing them with pep talks, cash, or even the threat of unpleasant consequences. This is because every individual has a unique profile of motivational drivers, values, and biases. This leads to the manager trying hard to motivate the employee, which may have a negative effect on the employee. The employee either ignores his manager or shows reluctance in taking future assignments.

According to Nicholson managers should adopt the following guiding principles in order to motivate their employees:

- “Everyone has motivational energy”: Even though the employee lacks motivation in the work environment, he is still motivated in other areas of his life. Hence managers should not assume that the employee is inherently unmotivated.

- “This energy is often blocked in the workplace”: There are a number of reasons that could result in an employee being unmotivated in the workplace. Problems in personal life, broken promises at work, and a perception that a boss does not care about him are all reasons that could lead to a lack of motivation.

- “Removing blockages requires employee participation”: Managers should work to understand what problems an employee is facing. A manager could do this by proactively seeking answers to questions such as what drives the employee? What blocks those drives? What might happen if the impediments are removed? The manager can find answers to these questions by having informal conversations with the employee. The manager can leverage this knowledge to realign the employee’s commitments to his core capabilities and thereby incentivize him to deliver to the best of his abilities or skills.

Motivation, Empowerment and Change Management

We have seen in previous sections how Balanced Scorecard helps in achieving the strategic goals of an organization. Successful implementation of a strategy requires a series of stretched assignments, assignments that require for a change in existing business processes. All these activities eventually require a change management exercise – an event that creates a sense of fear among employees. While extrinsic motivation from organization would help employees to allay the fear factor, intrinsic motivation among employees is the key answer to the problem – a motivation that gets created within oneself. Empowerment fuels intrinsic motivation. One of the ways to empower employees is through knowledge.

Knowledge empowerment would allay the fear among employees, but how do we share knowledge? After cutting travel expenses and operational costs, companies often focus on cutting training costs to help meet financial targets. But how can organizations empower employees with
the knowledge they need without spending money on training? The answer is Knowledge Management. Knowledge management is explained in section of the chapter.

2. Training and development

Organizations need to equip employees with the technical skills and other expertise necessary for their job. Some portion of this training may be given as an employee is oriented to their new job. Most on-the-job training is conducted, according to Florence Stone, through three types of people: coaches, counselors, and mentors. These roles are filled by supervisors and other managers. Coaching is the general skill of believing in one's employees and ensuring that they obtain “the skills, abilities, and knowledge they need to increase their potential and improve their performance.” This definition is contrasted with counseling, focusing on problem employees, and mentoring, which involves fostering promising employees.

Kurt Lewin's original “refreezing” concept illustrates the importance of training in a post-change context. After the beliefs and norms of an organization have been “unfrozen” and changes implemented, those newly established behaviors must be solidified and sustained. John Kotter identifies a series of errors that undermine successful change. The final two are “declaring victory too soon,” and “not anchoring changes in the corporation's culture.” Change sticks when the effort is maintained until its effects are firmly established, and when those effects are broadly reported and its values passed on to future generations of management.

3. Learning curves and knowledge management

Knowledge Management tools can be invaluable in the institutionalization of change. By recording and tracking ongoing change, an organization is in a better position to make that change visible, accessible, and relevant. Effective knowledge management increases collaboration among employees by facilitating the efficient sharing of expertise and relevant knowledge.

While a notoriously difficult a term to sum up, Knowledge Management (KM) is defined by Meredith Levinson of CIO.com as “the process through which organizations generate value from their intellectual and knowledge-based assets.” A company with isolated silos of operations, each with its own closed resources, is failing to take advantage of one of its most valuable assets – its employees' knowledge. Instead, Eric Matson et al. advocate an “open market” metaphor for the sharing of an organization's knowledge. Ideally, for every decision that needs to be made, the most relevant information will be readily available. Technology can facilitate this sharing, yet most organizations suffer instead from an inefficient use of their existing KM structures.

Social Software in Knowledge Management

Another aspect of knowledge management is the means of gathering, storing, and disseminating said knowledge. In the recent context of the interactive Web 2.0, software utilizing social participation and networking is gaining traction in knowledge management systems implementation. Today’s businesses are learning the value of knowledge management, but previous top-down paradigms have failed to achieve their goals. The development of social
software tools such as wikis, blogs, social tagging, and social-networking tools are offering enterprises a new opportunity to get on the knowledge management bandwagon. Social software in the workplace is changing the paradigm of employee interactions and offering new opportunities for knowledge management.

The old paradigm of knowledge management was a top-down model that commonly exhibited aspects of what Davenport, Eccles, and Prusak called the Monarchy model of information politics. Under the old paradigm it was common for upper management to dictate what information would be collected, how it would be collected, and who would have access to it, which closely matches the Monarchy model (1992). As Suarez noted, “KM was pushed down on people by management intent on amassing intellectual capital, and it was an extra job” (International Business Machines, 2007). Furthermore, the old approach to knowledge management focused on documenting explicit knowledge and amassing it as intellectual capital (International Business Machines, 2007). Little attention was spent on tacit knowledge. Boyd stated that, “Until recently, most of the KM efforts were focused on the creation of central knowledge repositories, encouraging knowledge reuse and collaboration based on these repositories, in a typical top-down approach where knowledge was seen as a separate entity” (Boyd, 2005).

Social software is making its way into the workplace and is transforming the way groups of people interact. Social software provides people with their own voice within the business and creates a diverse body of thought and opinion to stimulate knowledge sharing and idea generation. More than that, it involves a degree of social interaction and has a fun-factor that makes it more appealing to use than previous approaches have been (Avram, 2006). As IBM’s Luis Saurez remarked, “This is what is going to bring KM back into the spotlight because it allows businesses to place their focus where it should have been from the beginning - not on the tools, not on the processes, but on the people” (International Business Machines, 2007).

Blogs and social networks are excellent tools for allowing people to quickly find the knowledge they need. As Avram said, “Weblogs, wikis and social networking sites have as core purpose knowledge sharing” (Avram, 2006). Blogs allow users to document their knowledge or experience on a particular matter in a format that is easy and fun for them to use. These blogs can then be accessed again by the author or found by others within the organization for their own use. Furthermore, blogs promote conversations across divisions and can serve as a starting point for new networks based on mutual interest. Speaking of their internal blogging system, IBM claimed that such widespread interaction on focused topics increased knowledge sharing, idea generation, and collaboration throughout the enterprise (International Business Machines, 2007).

Social tagging is another useful tool for finding and sharing knowledge throughout an organization. Traditional intranets and knowledge management systems rely on massive document archives that often lack an easy method for finding specific content. Social tagging software like Del.icio.us or IBM’s “Dogear” -- part of the Lotus Connections suite -- can help make content easier to find by empowering users to categorize content themselves. More than that, social tagging promotes the sharing of knowledge and exploration of new ideas. By associating tags with the person who made them, employees can make connections to other
employees who share similar interests (International Business Machines, 2007). Furthermore, by following the tags of employees with similar interests this type of social software promotes the dissemination of new knowledge throughout a network of peers with like interests.

While social software is already offering many promising opportunities for today’s enterprises, it is still a relatively new and rapidly evolving field with many new innovations and potential pitfalls. One of the best features of this new field is the ease with which users can develop new uses and new models for the various social software packages (Avram, 2006). However, that also raises a potential problem in that the plethora of new features threatens to overwhelm users. Ease of use is one of the key factors that has made social software so popular. Organizations must be careful with the features they choose to use in order to avoid overwhelming their users with features and consequently reducing the usefulness of the social software.

Human beings are social creatures, and as such it, only makes sense that the best way to capture and preserve their knowledge is to use a social system. The bottom-up approach to knowledge management enabled by social software offers a completely new paradigm for managing the highly valuable tacit knowledge resources in today’s organizations. While many organizations still resist giving over the type of content control to employees required by social software systems, the bottom-line is that these systems and methods offer today’s organizations the best chances of preserving and perpetuating the knowledge they have today into the future.

E. Communication and Change Management

1. Communication’s role in organizational change

Communication is a critical aspect of managing change. The success or failure of an organization’s change effort could hinge on how well a change message is received. People often react to change with varying levels of fear, anxiety, skepticism or anger when confronted with change. Couple that with inaccurate, negative rumors, or distrust that is bred when an employee learns of change through an external media source, for example, and it could prolong the period of transition and may even lead to failure of a change initiative altogether. Conversely, a well-planned communication campaign could lead to greater understanding and improved attitudes within a target audience.

When trying to convey complex, non-routine messages that an organizational change is likely to require, people will need to be engaged in order for the campaign to be successful. Any type of communication that has the ability for a 2-way flow of information will be more effective than a static form of conveyance. Therefore, bulletin boards and memos, though they work well for routine-type information, will not be as effective at making an impact for a message of change as telephones and emails would be. The most powerful mode of communication is face-to-face interactions. This is the most dynamic and personal way to interact, and allows both sides to receive and react to feedback.
2. Guidelines for good communication

Communication should be timely, accurate, and inclusive. Besides increasing awareness, changing attitudes, and changing behaviors, communication has an important role in helping people feel as comfortable, safe and positive about impending change as is possible. Here are some suggestions from Richardson and Denton’s article “Communicating Change:”

1. Give employees as much information as possible as early as possible.
2. Continue the communication effort throughout, and even after, the change – not just at the beginning.
3. First-line and middle-level managers play a key role in keeping employees informed and providing face-to-face communications during times of change. Managers should be trained, encouraged and held accountable for these responsibilities.
4. Be prepared to deal with anxieties, fears, uncertainty and mistrust; these are normal reactions to change. An environment of openness, frequent communications, and special tools such as a toll-free telephone line, may be helpful.
5. Involve employees in the change process and the decision-making process as much as possible.

3. Communicating different types of change

![Prevalence of Communication Efforts To Support Change Initiatives]

Figure 8.2

Source: Kathryn Troy, Change Management: Communication’s Pivotal Role, pg. 10
Strategic and operational changes may often need to be communicated to both internal and external audiences, but different types of changes may be primarily more relevant to either employees or outside stakeholders. In a study done by Kathryn Troy (see figure 1), many types of changes were reported as being communicated slightly more often to employees rather than to outsiders, and some changes were communicated only to employees. The only types of communications in her study which were more weighted towards external audiences were changes in image, products and services, and geographic expansion.

It is important to note that although a change may have significance for both internal and external audiences, communications regarding the change may be very different. For example, stockholders may be interested to know that a new technology will soon be implemented which will create greater efficiency compared to current processes, but employees will undoubtedly require significantly more detailed information about the technology.

F. Conclusion

In this chapter we learned how important it is for organizations to implement strategic goals through a measurement framework. Three such frameworks were introduced, Balanced Scorecards (BSC), Applied Information Economics (AIE) and the European Foundation for Quality Management (EFQM). Balanced Scorecard focuses on the operational, marketing and developmental inputs that can influence financial outcomes. AIE applies mathematical models to the IT decision making process by using techniques from economics, statistics and Game Theory. EFQM uses principles of quality management and applies the ideas of Total Quality Management (TQM) to effect change over the entire organization. These are practical tools that can be used in self-assessment, benchmarking, and as a guide to identifying areas for improvement.

In order to achieve successful goals, organizations need view employee motivation not only through the lens of salaries and benefits, but also through appropriate titles, appreciation, and challenging work, ultimately empowering employees. Training practices should incorporate the development of employee skills and the mentoring of promising employees.

Effective Knowledge Management increases collaboration among employees by facilitating the efficient sharing of relevant expertise. By keeping the recorded aspect of change visible and salient, an organization reinforces the new norms and expectations that result from successful change.

An organization can measure its success by how well it communicates with its audience. It is important to share the results of organizational performance metrics with employees. It is also vital for companies to share the strategy behind those measurements.

Strategic and operational changes in a company need to be conveyed both internally and externally. Different types of decisions may be more relevant to either employees or outside
stakeholders. Communication is a significant factor for companies to make successful changes in the management of an organization.
F. Case Studies

1. Case Study: Using Applied Information Economics to Measure Information Technology Performance

Background

There is a shortage of knowledge and expertise in government agencies on how to appropriately measure the necessity and success of information technology investments. In response, the Department of Veterans Affairs volunteered its Information Security Program (ISP) to participate in the pilot demonstrations of the measurement methodology, AIE (Applied Information Economics). (IT Performance Management Subcommittee, 2001)

Applied Information Economics

*Applied Information Economics* (AIE) is an analytical methodology that applies mathematical models to the information technology decision making process. One of the precepts of AIE is the there is “no intangible that cannot be measured.” Another is that “uncertainty and risk can be quantified.” AIE decides what to measure by using a complex cost-benefit analysis that will calculate the value of each piece of information. If information has high value, then additional measurement would improve decision making.

![Figure 8.3](source: IT Performance Management Subcommittee, 2001)

AIE is a synthesis of techniques from a variety of scientific and mathematical fields. The tools of economics, financial theory, and statistics are all major contributors to AIE. But in addition to these more familiar fields, AIE also includes: Decision Theory - the formulation of decisions into a mathematical framework - and Information Theory - the mathematical modeling of transmitting and receiving information.
The Department of Veteran’s Affairs used the AIE method to determine 2 main points:

1. The Information Security Program should reduce by 75% to 95% the expected losses for all security incidents through 2006 estimated somewhere between $1.1 billion and $2.4 billion

2. One major optional investment (certain parts of Intrusion Detection) did not reduce losses and therefore should not be made. This is about a $30 million cost avoidance

The cost of the pilot, including all contractor fees and travel expenses plus the time of the Veteran’s Affairs staff, was less than $100,000. Even excluding the value of other strategy improvements, the AIE methodology provided a 300:1 payback. The total cost of the pilot was less than 0.1 percent of the investment size of Veteran’s Affairs Information Security Program.

Based on the recommendations of this pilot study, the Department of Veteran’s Affairs accelerated the anti-virus roll-out, cancelled the implementation if Intrusion Detection, and will be using AIE for future evaluation projects. The Department of Veteran’s Affairs intends to use the results of this pilot as input to the self-evaluation for its Information Security Program as required by the Government Information Security Reform Act (GISRA). Finally, the Department of Veteran’s Affairs recommends that the AIE methodology be explored as a GISRA evaluation method for other Federal civilian agency information security programs.

2. Case Study: Using the European Foundation for Quality Management (EFQM) Model to support clinical practice development

Background

The EFQM Model was originated by the European Foundation for Quality Management (EFQM) which aims to “assist management in adopting and applying the principles of Total Quality Management and to improve the Competitiveness of European industry”. The model assumes that excellence requires of an organization: (Andersen et al., 2000) Total Quality Management (TQM) is a set of management practices throughout the organization, geared to ensure the organization consistently meets or exceeds customer requirements. TQM places strong focus on process measurement and controls as means of continuous improvement.

- Results Orientation
- Customer Focus
- Leadership and Constancy of Purpose
- Management by Processes and Facts
- People Development and Involvement
The model considers relative performance by an organization in the areas of enabling activities and observed results. It does this using five “enabling” criteria (Leadership, People, Policy & Strategy, Partnership & Resources, Processes) and four “results” criteria (Performance, Customers, People, Society). Current performance is evaluated as a score across the nine criteria by checking the organization’s alignment against a total of 32 standard statements. Scores are attached to the answers to these questions either on the basis of internal “Self Assessment” or with the assistance of outside assessors. Scoring uses a universal scoring and weighting system that treats all types of organizations alike. The scoring system has been designed to allow an organization to benchmark its score against those other firms, or against scores from prior assessments. Also a weighted “total” of these scores is usually calculated. Wider introduction of quality management systems by an organization tends to improve scores—but in general the Excellence Model does not itself provide information on how low scores can be improved. Results are generally produced in “report” format and circulated, usually on an annual basis.

**Using EFQM Model to evaluate performance in hospital system**

In 2005, Leigh and Douglas conducted a research study by using the EFQM Model to evaluate training programs in a medical center on newly qualified nurses in need of support and preparation for their first appointment. A preceptorship program, developed around a quality-monitoring framework, was introduced to address this need at Salford Royal, an acute NHS Trust.

Salford Royal Hospitals NHS Trust (SRHT) is a large acute care teaching hospital situated in Greater Manchester, UK. The competencies of nurses in their operational and administrative duties vary according to the length of service, experience, grade and responsibilities. It is thus important that newly qualified staff appointed to posts are able to develop the confidence, skills and experience necessary to deal with high intensity working relationships and environments. Competence, confidence and retention are three key characteristics that are of paramount importance. The medical center needs evidence of these attributes from newly qualified nurses after 6 months in their post.

Quality is an underlying principle that forms the basis of NHS healthcare service delivery and management. As quality systems developed based on quality management principles and associated assessments, assurance methodologies and requirements moved on to include various dimensions. Thus the system for managing quality requires a clear set of specifications, standards and procedures. The mechanisms by which to
control, monitor and evaluate organizational performance is also critical, as is accountability across the organization.

The EFQM model is one of a number of quality system assessment evaluation techniques. It is particularly useful for quality assurance and evaluation of new service developments in the healthcare sector and has been widely used in a variety of situations and for a range of purposes in the UK and Europe. The excellence model’s non-prescriptive generic framework reflects the principles of Total Quality Management and is based on the premise that excellence with respect to performance, customers, people and society is achieved through leadership driving policy and strategy, people, partnerships and resources.

Results

People results: Thirty-four nurses attended the preceptorship program. Participants identified positive aspects of the program as: having increased their confidence; having provided them with the opportunity to network with other new staff; well planned and organized sessions. They reported that they appreciated the effort made by the program coordinators. A negative aspect identified was that the program did not include enough practical sessions, such as with medical device training.

Customer results: To gain an appreciation of managers’ perspectives of the impact and effectiveness of the program, 12 questionnaires were sent to the ward managers whose staff attended the preceptorship program. Comments were generally very favorable, with the majority of nurses rated as having achieved an acceptable level of competence for this stage in their post, although in all instances this was seen as a first step in a process of continuous development.

Social results: They identified key performance results, including an increase in the retention of newly qualified nurses at SRHT. The number of newly qualified nurses recruited who left within their first 12 months of employment has reduced year on year from 24% in 2002 to 1% in 2004. Significant cost savings have thus been realized from a reduced turnover rate resulting in a considerably beneficial effect in the achievement of organizational goals.

Reflection

A positive aspect of the EFQM model lies in its self-assessment framework and is achieved through leadership-driving policy and strategy. On-going information will be required from audit departments, general managers and from other trusts. A system to feed results back to stakeholders and ultimately into the preceptorship plan and implementation process is also crucial. A feedback system ensures that all staff members are asked to complete an evaluation questionnaire on completion of the
preceptorship program. The returned data are used to review and revise program content for subsequent delivery.

A limitation in use of EFQM is that much long-term observation is required to allow full use of the various sections of the model. In terms of such work, it will, for example, be necessary to look closely at how the enablers were identified and measured.

3. **Case Study: Institutionalizing the Transfer of Innovative Practices at HP**

   (Zell, 2001)

   Just as the diffusion of an organization’s knowledge is stymied by fragmented communication, such isolation also stands in the way of the effective dissemination (and maintenance) of change.

   In the 1990s, Hewlett-Packard was struggling to reorganize their management structure and transfer new innovative practices to multiple parts of the organization. When one division devised a successful new strategy or process, upper management wanted to spread those practices to other applicable areas of the company. However top-down instructions to adopt another division’s innovation were often met with skepticism, resistance, or flawed implementation. As a solution, HP established the Work Innovation Network (WIN), a voluntary network of innovation-oriented managers. WIN participants would meet in person four times a year to share their projects’ successes and failures and hear their peers’ feedback. This process worked to overcome various barriers to the diffusion of innovative ideas. These managers effected a bottom-up interest to “pull in” innovation rather than the default resistance to top-down change efforts. Within their cross-division network, they connected and consulted with each other. And by fostering an internal culture of sharing mistakes, the WIN managers further increased their ability to learn from each other and problem-solve.

4. **Case Study: Communicating Operational Change at Stantec**

   The Canadian civil and architectural firm, Stantec, implemented a universal database to integrate its financial, payroll, human resources, and project management processes in 2003. The company started preparing a communications strategy for employee awareness a year in advance of this change in order to ensure that employee concerns could be taken into consideration as new procedures were being designed, and to ultimately help facilitate acceptance of the change (Thornton, 2004).

   The team that was responsible for the project’s success did several exercises to prepare for the change before they were ready to communicate to a broad audience of employees. They started with a one-day workshop for senior management with the aim of securing leadership commitment, clarifying objectives, identifying challenges, and defining measurable results which they could later use to determine success. They next formed an advisory team of about 30 employees from all levels and locations of the company who provided input and advice, and
served as communication agents throughout the company. Video conference meetings for this team were held nearly monthly so that information was flowing on a regular basis.

A communications team conducted a change readiness assessment in which they used a third-party consultant to interview employees from all levels in order to collect their perspective on whether their organization was ready for the change, to get their opinion on how it would affect customers and vendors. This team also sent out an email survey of 750 random employees was sent out to find out how employees felt about the software change and how they would prefer to receive updates on the project. The assessment found that employees were generally receptive to the change, but were concerned about how they would find the time to learn and adapt to the software. Besides collecting employee perspectives, the survey also served to begin inform employees that change was coming. The team used the information gathered from the readiness assessment to develop a communication plan. Their plan had 9 objectives, the main ones being: (1) to communicate the mission and scope of the project, (2) to develop awareness of the benefits of the new technology, (3) to reduce anxiety by giving job-specific information, and (4) to keep people informed about progress.

A “Star Trek” theme was used to market communications about the new software. They created a special logo based on this theme which they used on all communication materials including email messages, posters, PowerPoint templates, and printed materials. The marketing campaign was well-received by Stantec employees, and it generated excitement and a positive image for the project.

Lastly, the communication team trained “communication agents” to give presentations to local groups. These agents served on the front lines, giving tailored presentations to specific employee groups, and they answered questions and gathered feedback from employees at all levels of the organization.

Stantec’s communication of their software upgrade is an example of how a well thought-out communication strategy can smooth a transition for an operational change for employees, and can aid in the success of such a project.

5. Case Study: Communicating Strategic Change at JPMorgan Chase

Epstein’s case study of the merger of JP Morgan and Chase Manhattan Bank illustrates the success of post-merger integration (PMI) strategy using the five drivers: (1) a coherent integration strategy; (2) strong integration team; (3) communication; (4) speed of implementation; (5) aligned measurements (Epstein, 2004).

Background

In the last few decades, the banking industry has undergone big changes. Mergers of increasingly large scale occurred, and investment-banking powerhouses and varied financial conglomerates began to dominate the banking markets. Chase merged with Chemical Bank in 1995, but in which Chemical has the dominant power. J.P. Morgan became a world-class bank known for its loans
to governments and corporations. The merger of Chase and J.P. Morgan became a necessity due to the rapid consolidation of the industry. Each company had a long history, but faced an uncertain future that necessitated the merger.

The PMI process was driven by the philosophy of creating a “merger of equals” with a well-defined power sharing arrangement between the two companies. The organizational structure and leadership for the new company was established without the constraints of either predecessor organization, and the business model was completely defined and articulated before the merger was announced so that it was clear how the business would change and targets achieved. This was in contrast to the infighting and power struggles that occurred in other prominent mergers that made their PMI less successful.

The merger integration team was designed based upon the lessons learned from their previous mergers. The Firm-Wide Merger Office was created and staffed with ample, full-time resources. Integration teamwork was focused along three lines staffed by the strongest teams: (i) investment banking (lines of business), (ii) London and Asia (geographical areas), and (iii) technology and operations, finance, and facilities (functional areas). Weekly meetings were held to track the status of the merger, and a firm-wide integration scorecard was maintained to summarize the progress in terms of accomplished and missed milestones.

JPMC recognized the importance of communication to a successful merger. Communications to employees, clients, shareholders, regulators, and the media were coordinated to guarantee the rapid diffusion of information following the merger announcement. Communication throughout the merger was coordinated across multiple constituencies and multiple channels to ensure the delivery of a consistent and constant message pertaining to the purpose and strategy of the merger, the status of merger events, the impact on clients and employees. Employees and clients were polled to gauge their satisfaction with the merger.

JPMC conducted the merger quickly and established a timeline that made critical enabling decisions early. As a result, most of the key decisions were made within 8-12 weeks, measurement tools and targets were created and disseminated early in the process, and the merger of the holding companies was completed less than 4 months after the merger announcement.

Results

JPMC used Key Performance Indicators (KPI’s) as the primary tools for measurement of success of the Post-Merger Integration. The KPI’s were grouped into four categories: financial, technical, client, and people. Each team for each line of business and functional area tailored the specific metrics within each category to their specific goals.

Reflection

The drivers of the Post-Merger Integration strategy tool can be directly correlated to factors attributed to JPMC’s successful merger. These factors can be described as: (1) strong leadership, (2) strong support for the merger from both employees and customers, which was the result of a
good communication strategy, (3) adopting best practices rather than adhering to the practices from only one of the companies, (4) the use of performance measures, (5) the speed of the implementation, and (6) teamwork and consensus.

6. Case Study: Social Software at IBM

Ten years ago, IBM created a new type of internal directory they called “Blue Pages.” Now known as, “Profiles,” and part of the Lotus Connections suite, it lets employees create rich personal profiles containing information on each person’s skills, interests, and more. By allowing users to search the directory by the type of knowledge they are seeking, IBM has created a social software system that empowers employees to rapidly find subject matter experts and tap into their tacit-knowledge. As one IBM employee put it, “One thing I really like is that I can find all these people without having to know which teams or groups they’re in. To me this 300,000+ person organization feels like a small company” (International Business Machines, 2007).

When speaking about his experiences blogging at IBM, Suarez said the following, “In the almost four years I've been using blogs I've gotten to know two to three times the number of people I knew in the six years when I wasn't blogging, even though I've gone from working in the office surrounded by colleagues to working at home in the middle of nowhere” (International Business Machines, 2007). This social phenomenon can be leveraged within a business organization to break down barriers between different divisions and enhance collaboration and communication throughout the entire enterprise.

References for Chapter 8


Appendix I:

Jingjing Sun’s Emerging Issues Paper

To Kevin and Sylvain – We understand that the main finding of Jingjing’s paper is that there is a correlation between companies with minorities -- and also companies that are growing -- and innovation, and she has a lot of statistical data to prove that. Kevin, you suggested that this paper would work well in our chapter since innovation is a kind of change which must be managed, but we could not figure out how to integrate this paper into our writing. We are including it here, unedited, in case you still want to include it during the final editing process.

Innovation and Human Resource Management Practices

Introduction

In the knowledge-based economy today, it is critically important for companies to focus on innovation so as to succeed in the fierce competitions. Through innovation, companies get their new ideas for their products, customer services and management process. Therefore continuous innovation becomes the source of companies’ sustainable competitive advantage.

“Innovation is defined as the development and implementation of new ideas by people who over time engage in transactions with others within an institutional order.” (Andrew H. Van De Ven, 1986) From this definition, it is clear that innovation can never be separated with people. Human Resource Management (HRM) is the strategic and coherent approach to the management of people (Michael Armstrong, 2006). Empirical studies have shown that there is positive influence from certain HRM practices on the innovation performance of organizations. However, most of the previous studies are based on data from European companies. Few studies are focused on the practices in American firms. This paper is going to address this gap by studying the relationships between HRM practices and Innovation performance in American companies. The following sessions will start with reviewing former studies and analyzing the problems that existed in them. After literature review, this paper is going to explain what method is adopted in the study and discuss the results based on analyzing American firms’ data.

Literature Review

Many studies apply statistic methods in researching what kind of relationship exist between Innovation and HRM practices. In the attempt to find this relationship, regression method is widely used by these studies. In this approach, innovation is usually taken as the dependent variable while HRM practices will be independent variables (Keld Laursen, 2002; Shipton, Fay,
This arrangement of dependent and independent variables is based on the assumption that HRM practices are the reasons and Innovation is the result. Some studies believe that it is not proper to take this causal relationship for granted. It is also possible that HRM practices are part of the Innovation strategy. Thus besides the relationship that HRM practices determine innovation, the authors tested the reverse causal relationship as well (Jimenez-Jimenez and Sanz-Valle, 2005).

These studies all have got results that support proper HRM practices can promote Innovation in companies (Keld Laursen, 2002; Shipton, Fay, West, Patterson and Birdi, 2005; Jimenez-Jimenez and Sanz-Valle, 2005).

Problems in former studies

Though the regression method is a power tool for data analysis, when applies in the study of the relationship between HRM and Innovation, it may cause great bias in the results. First, the independent variables chosen can not cover all of the major factors which can influence Innovation. HRM practices, even if together with several control variables like firm size or firm age, can not determine whether a firm is innovative or not. There are other factors that influence Innovation much, such as investment in R&D, knowledge management strategies. Thus it is not quite proper to set an equation between Innovation and HRM practices. Second, collinearity may exist between the independent variables. In regression analysis, collinearity of two variables means there is correlation between them. Collinearity will lead to several problems, such as the instability of the regression equation, the concealing of some independent’s significance, and the inconsistency of relationships between those obtained from equation and what really exist in practice. It is possible that there is collinearity between the age of the firm and the HRM practices it chooses. And the combination of firm age and HRM practices as dependent variables leads to great bias in the result got from regression.

So it is not surprising to see that the models established in those studies can only explain less than 20% of the real relationship in data (Keld Laursen, 2002; Shipton, Fay, West, Patterson and Birdi, 2005; Jimenez-Jimenez and Sanz-Valle, 2005). Therefore, regression may not be a proper method in studying the relationship between HRM practice and Innovation. This paper is going to use a different method to compare the different extents of closeness in relationship between HRM practices and Innovation.

Method and Data
In order to test whether a certain HRM practice has much influence on Innovation, instead of regression method, mean test method is adopted. Each variable will be tested individually. To obtain a robust test on small sample, Wilcoxon Rank Sum Test, a non-parameter method is applied in continuous data analysis, instead of t-test, a parameter method which should be based on large sample. As to categorical data, Contingency Tables and Fisher Exact Test are chosen to analyze whether relationships exist. Both of these two tests are under the hypothesis as below.

- $H_0$: There is no difference in Innovation under this HRM practice.
- $H_1$: There is difference in Innovation under this HRM practice.

Lower p value got from the tests will support higher possibility to reject the null hypothesis ($H_0$). Hence the p value can be taken as the correlation coefficient between the HRM practice and Innovation. And the lower p value is, the closer their relationship is.

The data of this study is chosen from the “World's 50 Most Innovative Companies 2008” of BusinessWeek, and “100 Best Companies to Work For 2008” of CNN. After comparing with these two sets of data, there are 8 American companies in both of the two lists. Thus these 8 companies are chosen as the innovation group. 12 other American companies in the 100 Best Companies to Work For are randomly chosen as the less-innovation group. 9 variables (shown in table 1) of HRM practices are going to be tested.

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Variable Description</th>
<th>Data type</th>
</tr>
</thead>
<tbody>
<tr>
<td>employees growth (per year) (“eg” in short)</td>
<td>The percentage of its employees’ growth per year.</td>
<td>Continuous</td>
</tr>
<tr>
<td>applicants and job positions ratio (“avp” in short)</td>
<td>How many applicants applying a new job position in average. Indicate the attraction aspect of Recruitment.</td>
<td>Continuous</td>
</tr>
<tr>
<td>professional training time (pt)</td>
<td>The average professional training hours.</td>
<td>Continuous</td>
</tr>
<tr>
<td>average salary</td>
<td>The average salary of the firm.</td>
<td>Continuous</td>
</tr>
<tr>
<td>(“salary” in short)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Minorities</td>
<td>The percentage of its minority</td>
<td>Continuous</td>
</tr>
<tr>
<td></td>
<td>employees.</td>
<td></td>
</tr>
<tr>
<td>women</td>
<td>The percentage of its women</td>
<td>Continuous</td>
</tr>
<tr>
<td></td>
<td>employees.</td>
<td></td>
</tr>
<tr>
<td>job sharing</td>
<td>Whether job is shared in this</td>
<td>Categorical</td>
</tr>
<tr>
<td></td>
<td>firm.</td>
<td></td>
</tr>
<tr>
<td>compressed workweek</td>
<td>Whether workweek is compressed in</td>
<td>Categorical</td>
</tr>
<tr>
<td></td>
<td>this firm.</td>
<td></td>
</tr>
<tr>
<td>telecommuting</td>
<td>Whether telecommuting is used in</td>
<td>Categorical</td>
</tr>
<tr>
<td></td>
<td>this firm.</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: variables detail

---

Figure 4: Star graph of each sample company

The star graph above can give us a general view of how variables distribute in each individual company. In star graph, the size of the scaled column is shown by the distance from the center to the point on the star or the radius of the segment representing the variable. Thus from it, we can see that none of the sample companies has high values in every HRM variable. And each of the individual firm in innovation group has a medium size of minority.

**Results and Discussions**

Since none of these HRM practice variables is the only determinants to Innovation. So the p values got from Wilcoxon Rank Sum Test will certainly not be small enough to reject the null hypothesis.

<table>
<thead>
<tr>
<th>Variable name</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee growth (per year %)</td>
<td>0.2772</td>
</tr>
<tr>
<td>Applicants and job positions ratio</td>
<td>0.7168</td>
</tr>
<tr>
<td>Minorities (%)</td>
<td>0.7573</td>
</tr>
<tr>
<td>Salary</td>
<td>0.7574</td>
</tr>
<tr>
<td>Women (%)</td>
<td>0.7861</td>
</tr>
<tr>
<td>Professional training time</td>
<td>0.8801</td>
</tr>
</tbody>
</table>

*Table 3: Wilcoxon Rank Sum Test Results*

From the table, it shows that Employee growth has lowest p value. So, employee growth has the closest relationship to innovation compared with other variables. It represents from some extent that companies which have higher employee growth have higher innovation ability as well. Professional training time has farthest relationship to innovation. So it can not be supported that arranging more professional training time to employee will necessarily lead to higher innovation.
When checking the combined effects of any two variables, it shows that combining minority and employee growth can better reveal features of innovation firms. In Figure 2, though two kinds of points could not be separated, from the plot, it shows that points of innovation companies centered between 0-20% employees growth and 30-45% minorities. The feature of the minorities’ distribution can also be supported from the observation of star graph. Thus this result supports that Innovation performance has a close relationship with a relative high percentage of minorities and employees growth.

As to the categorical data analysis, there is no enough evidence in this study to support that job sharing, compressed workweek or telecommuting has any effects on Innovation.

**Conclusion**

This paper began with studying the previous empirical researches. Since the possible problems may exist in application of regression methods, Wilcoxon Rank Sum Test is used in the data analysis of this study. The results show that employee growth has higher influence on Innovation as an individual variable than other HRM practices studied. However, the causal relationship could not be ascertained. High innovation could make the firm in its upstream thus the firm needs to employ more staff. There is also the possibility that it is the HRM practice which keeps a higher growth of employees promotes the innovation of the firm. Therefore further study is
needed to address this problem by studying the causal relationship between HRM practices and Innovation. In addition, among all the combinations of two variables, the combination of employee growth and minority can distinguish Innovation companies better than other combinations. It supports that the combination of a relative high percentage of minorities and employees growth has much closer relationship with Innovation.

**Reference**


The World's 50 Most Innovative Companies 2008,

[http://bwnt.businessweek.com/interactive_reports/innovative_companies/](http://bwnt.businessweek.com/interactive_reports/innovative_companies/)
100 Best Companies to Work For 2008,


Average salary,

http://www.simplyhired.com/
Appendix II:

Amanda Fonville’s Emerging Issues Paper

To Kevin and Sylvain – Just including this to be consistent. We used this paper as an example of operational change in section B. We have integrated the bibliography into our paper above already. Mandy is on our team, and is listed as an author for the chapter (of course).

Visit Your Doctor Online?

The Problem

The rising cost of healthcare is being reflected in all areas of our economy. The exorbitant cost of malpractice insurance has raised the price of a physician’s services. When the price of a doctor’s visit goes up, the rates of the individual insurance holder goes up. This is essentially pushing medical care out of reach for the poor, limiting the amount of services available overall.

There have been 24 hour Nurse Hotlines in place for many years. These are designed to answer basic questions in order to determine if a doctor appointment is necessary. Hospitals are also compensating with Physician’s Assistants and Nurse Practitioners, who are cheaper but have less experience. Being seen by a practitioner with limited experience is not always advisable. There are some problems that must be dealt with by a specialist.

This paper will look into the current range of online or virtual doctor appointment and consider the potential pros and cons of this phenomenon in comparison to face to face medical exams. Research will be conducted by looking at specialized web sites, wikis, and relevant publications in the field

Who is affected
Some hospitals are choosing a technologically advanced solution to this problem. If the number of affordable doctors is on the decline, then a doctor’s time needs to be utilized to the max. This is where Tele-radiology comes in. A physician in Boise, Idaho can evaluate the x-rays of a patient in Alaska, and relay a report back to the patients’ medical provider with no travel or facilities cost.

Tele-radiology has been in practice for quite a few years, and it’s easy to see why. If a machine is set up correctly, an adequate x-ray can be taken of the body. Then this picture, or a digitized copy of this picture, can be sent over the airwaves to its intended recipient. Little extra training is needed for this type of service.

“Virtual” doctor visits take this one step further. If a simple check up is in order, nothing more than video-conferencing software and a computer will do.

But things are more complicated when direct patient care is involved. There will need to be specialized equipment, as well as highly trained personnel to “take over” if a doctor is not physically available.

Some patients in Hawaii are opting to email their doctor about minor problems for a reduced rate, (A whopping 10 dollars!) rather than pay for the travel and expenses of a
full visit. In Hawaii, travel usually means a plane trip, so this can be a significant savings. In an article published December 2008 by cnet News, an online media source, Hawaii is the first to offer online doctor visits statewide.

In 2006, Virginia Mason Medical Center and Premera Blue Cross offered a pilot program to Microsoft employees giving them the option to use an online service. Patients could go online, answer a set number of questions and wait for the doctor’s reply. The expected outcome, as compared to other parts of the country, would be a decrease in ER visits as well as a decrease in overall Sick Time.

**Current Online Medical Portals**

RelayHealth is a specialist in secure communication between patients, doctors, pharmacists, healthcare facilities and Health Plans. It acts as a third party, conveying information in a safe and affordable way.

American Well, on the other hand, facilitates communication between patients and doctors in private practice. It offers a private solution to the problem of availability.
The key to the success of these portals is their ability to link consumers (patients and/or medical establishments) and Health care plans. This gives the individual consumer the feeling of control, and provides larger companies a way to keep up with changing technology.

In an era of high cost health care, increasing productivity by substituting face to face visits with virtual ones may be the wave of the future.

**Rewards**

The most obvious benefit would be a reduction in cost. Lower costs means more patients seen, more patients seen means an increase in revenue. Easy access to a doctor at any time of the day or night may reduce the need for employees to miss work. This is especially important in regards to children, who are often the cause of an employee’s “Sick Leave”.

Starting on Thursday, residents of Hawaii will be able to pay a flat fee for a 10-minute online visit with a doctor.

(Credit: American Well)
Risks

A few drawbacks, doctors and staff would have to be trained in how to deal with the anxiety patients feel when they don’t have face to face contact with a trusted professional. You have to work a lot harder at convincing someone of your opinion when you can’t use body language. The supplemental staff who do have direct patient contact may have to be highly trained (more so than your average Medical Assistant) in counseling techniques to be the physical stand in for the “Doctor”

The psychological aspect of a doctor’s visit is also a factor. There may be some patients who may not be able to get around the impersonal mechanical feel of a computer, no matter how sophisticated it is. Younger patients, who already immerse themselves in online arenas such as Second Life, will have less of a shock dealing with this change. There is also the concern that doctors and patients alike will begin to lose social skills if they are forever confronted with a view screen. It remains to be seen how this will ultimately affect healthcare.

Future Trends

Telecommunication technology has risen to the point that an HD TV can sit in for a physician. Medical devices are small enough to be made cheaply available. If all these things were combined into a virtual doctor’s office, a doctor in LA could look at the lab results of a patient in Juno. Trained personnel would still be needed to handle blood draws, physical exams, X-rays, and other patient contact, but the discussions could be handled remotely.

Will this change how doctors do business in the future? It already has. The potential expenses saved by this online method may far outshine the potential risks.

References


http://books.google.com/books?id=_LcimmPB0Z8C&pg=PA29&lpg=PA29&dq=Cybervisits&sourc=bl&ots=k247_JHbLc&sig=pAhYPLqYCaOQeMjZosWUkyIO8GY&hl=en&sa=X&oi=book_result&resnum=5&ct=result#PPA30,M1
http://www.americanwell.com/mediaCoverage.html


http://www.americanwell.com/

http://www.relayhealth.com/
Appendix III:

Nick Malone’s Emerging Issues Paper

To Kevin and Sylvain – We used Nick’s paper in section D.3, and also the last case study on IBM is from this paper. We’ve already integrated his citations into our bibliography. Nick is not on the chapter 8 team, but he is listed as an author since we used this paper.

The Role of Social Software in Knowledge Management

When describing the value of social software in the enterprise, Headshift’s John Mell asks the question, “Do you believe that there is business value in who you know as well as what you know?” (Mell, 2008). Today’s businesses are learning the value of knowledge management, but previous top-down paradigms have failed to achieve their goals. The development of social software tools such as wikis, blogs, social tagging, and social-networking tools are offering enterprises a new opportunity to get on the knowledge management bandwagon. Social software in the workplace is changing the paradigm of employee interactions and offering new opportunities for knowledge management.

Social software has been described as, “the use of computing tools to support, extend, or derive added value from social activity” (Avram, 2006). Conventionally this has included such traditional communication tools as email and instant messaging. These traditional communications are typically short-lived and aimed at a known audience while the content of social software leaves a permanent presence and is available to anybody who might look for it. Furthermore, while traditional communication software is social to a certain degree, there is a large distinction between traditional communications software and social software. Email and instant messaging form people into groups with a top-down approach of assigning members
while social software uses a bottom-up approach that allows people to organize themselves into organic networks based on their individual preferences (Avram, 2006). Tools such as blogs and social networks allow people to form their own groups and freely join new groups as they see fit. It is this ability to shape a network from the bottom-up versus the top-down that is the real difference between social software and traditional communication software.

Social software is making its way into the workplace and is transforming the way groups of people interact. Social software provides people with their own voice within the business and creates a diverse body of thought and opinion to stimulate knowledge sharing and idea generation. More than that, it involves a degree of social interaction and has a fun-factor that makes it more appealing to use than previous approaches have been (Avram, 2006). As IBM’s Luis Saurez remarked, “This is what is going to bring KM back into the spotlight because it allows businesses to place their focus where it should have been from the beginning - not on the tools, not on the processes, but on the people” (International Business Machines, 2007).

The old paradigm of knowledge management was a top-down model that commonly exhibited aspects of what Davenport, Eccles, and Prusak called the Monarchy model of information politics. Under the old paradigm it was common for upper management to dictate what information would be collected, how it would be collected, and who would have access to it, which closely matches the Monarchy model (1992). As Suarez noted, “KM was pushed down on people by management intent on amassing intellectual capital, and it was an extra job” (International Business Machines, 2007).

Furthermore, the old approach to knowledge management focused on documenting explicit knowledge and amassing it as intellectual capital (International Business Machines, 2007). Little attention was spent on tacit knowledge. Boyd stated that, “Until recently, most of
the KM efforts were focused on the creation of central knowledge repositories, encouraging knowledge reuse and collaboration based on these repositories, in a typical top-down approach where knowledge was seen as a separate entity” (Boyd, 2005). Social software takes a dramatically different approach by connecting people to other people with the expertise they need at the moment. Ten years ago, IBM created a new type of internal directory they called “Blue Pages”. Now known as Profiles and part of the Lotus Connections suite, it lets employees create rich personal profiles containing information on each person’s skills, interests, and more. By allowing users to search the directory by the type of knowledge they are seeking, IBM has created a social software system that empowers employees to rapidly find subject matter experts and tap into their tacit-knowledge. As one IBMer put it, “One thing I really like is that I can find all these people without having to know which teams or groups they’re in. To me this 300,000+ person organization feels like a small company” (International Business Machines, 2007).

Blogs and social networks are excellent tools for allowing people to quickly find the knowledge they need. As Avram said, “Weblogs, wikis and social networking sites have as core purpose knowledge sharing” (Avram, 2006). Blogs allow users to document their knowledge or experience on a particular matter in a format that is easy and fun for them to use. These blogs can then be accessed again by the author or found by others within the organization for their own use. Furthermore, blogs promote conversations across divisions and can serve as a starting point for new networks based on mutual interest. Speaking of their internal blogging system, IBM claimed that such widespread interaction on focused topics increased knowledge sharing, idea generation, and collaboration throughout the enterprise (International Business Machines, 2007). When speaking about his experiences blogging at IBM, Suarez said the following, “In the almost four years I've been using blogs I've gotten to know two to three times the number of
people I knew in the six years when I wasn't blogging, even though I've gone from working in the office surrounded by colleagues to working at home in the middle of nowhere” (International Business Machines, 2007). This social phenomenon can be leveraged within a business organization to breakdown barriers between different divisions and enhance collaboration and communication throughout the entire enterprise.

Social tagging is presenting itself as another useful tool for finding and sharing knowledge throughout an organization. Traditional intranets and knowledge management systems rely on massive document archives that often lack an easy method for finding specific content. Social tagging software like Del.icio.us or IBM’s Dogear, part of the Lotus Connections suite, can help make content easier to find by empowering users to categorize content themselves. More than that, social tagging promotes the sharing of knowledge and exploration of new ideas. By associating tags with the person who made them, employees can make connections to other employees who share similar interests (International Business Machines, 2007). Furthermore, by following the tags of employees with similar interests this type of social software promotes the dissemination of new knowledge throughout a network of peers with like interests.

While social software is already offering many promising opportunities for today’s enterprises, it is still a relatively new and rapidly evolving field with many new innovations and potential pitfalls. One of the best features of this new field is the ease with which users can develop new uses and new models for the various social software packages (Avram, 2006). However, that also raises a potential problem in that the plethora of new features threatens to overwhelm users. Ease of use is one of the key factors that has made social software so popular. Organizations must be careful with the features they choose to use in order to avoid
overwhelming their users with features and consequently reducing the usefulness of the social software.

One potential source of resistance to this emerging trend may be managers and executives entrenched in the concept of top-down hierarchical structures of knowledge management. Such managers who have yet to come around to this new way of thinking may resist giving over such a high degree of control of the organization’s knowledge content to others. Another challenge to overcome with social software is the urge for management to force its use upon the firm’s employees. Often times, executives will be faced with the desire to make the use of such systems mandatory in order to capture as much value out of the new systems as possible. However, it is important not to force the use of such systems upon employees. Avram noted that, “Making the use of this kind of tools(sic) compulsory in companies will probably take the fun factor away” (Avram, 2006). Eliminating the fun and social factors from such systems defeats the entire purpose. Making the use of these systems mandatory changes the fundamental experience from one of fun and social interaction to just another required job function. Reducing the very activities that capture and generate knowledge to a common job function eliminates much of the spontaneity and creativity that give these social systems their value in the first place.

Human beings are social creatures, and as such it, only makes sense that the best way to capture and preserve their knowledge is to use a social system. The bottom-up approach to knowledge management enabled by social software offers a completely new paradigm for managing the highly valuable tacit knowledge resources in today’s organizations. While many organizations still resist giving over the type of content control to employees required by social software systems, the bottom-line is that these systems and methods offer today’s
organizations the best chances of preserving and perpetuating the knowledge they have today into the future.
Works Cited


http://www.zephoria.org/thoughts/archives/2005/05/08/the_significance_of_social_software.html


Appendix IV:

Ramona Black’s Emerging Issues Paper

To Kevin and Sylvain – We did not use Ramona’s paper, we thought it belonged in chapter 9. But maybe we should have? It might have been useful in order to try to link motivation to change.

IMT 580A: Emerging Management Issues Paper Ramona Black
Professor: Kevin C. Desouza Due: 20th February 2009

In recent times, the banking industry has seen a considerable amount of turmoil. This has been all the more noticeable as big name, long-standing organizations have experienced financial crises. When a number of well-established, seemingly sound and reliable banking institutes across the globe return disastrous accounts, it is clear that something has gone terribly wrong; which raises serious doubts as to whether or not the general public can trust banks with their savings and loan arrangements.

The current culture of financial organizations "encourages short-termism and risk-taking"[1], with attractive bonuses on offer to those who can deliver the next best thing, and lucrative compensation packages and awards to those departing. While the short-term aspect of this culture might be construed as sharing some alignment with the generally recommended shift away from long-term planning, the overall culture lacks accountability and is outdated.

The days of "me, me, me" have not quite been replaced with days of "we, we, we" but as economic challenges become more widespread, people are more ready to question how financial organizations behave and to criticize traditional monetary excess given to a few at the expense of many. Banking organizations need personal and business customers and allies in order to function. Following recent monetary and reputational damage, it seems a cultural make-over is overdue for these organizations.
Exploring the issue

The Royal Bank of Scotland (RBS Group) is an example institution that can help explore this issue further. Founded in 1727, the bank had a good reputation and in early 2008 held a strong position in Scotland, the wider United Kingdom and the banking world in general.

Indeed, in April 2008, the Royal Bank of Scotland was placed equal 10th in Forbes' "The Global 2000"[^2]. The Forbes list ranks global corporations by size based on sales, profits, assets and market value:

<table>
<thead>
<tr>
<th>RANK</th>
<th>COMPANY</th>
<th>COUNTRY</th>
<th>INDUSTRY</th>
<th>SALES ($BIL)</th>
<th>PROFITS ($BIL)</th>
<th>ASSETS ($BIL)</th>
<th>MARKET VALUE ($BIL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Royal Bank of Scotland</td>
<td>United Kingdom</td>
<td>Banking</td>
<td>108.45</td>
<td>14.62</td>
<td>3,807.51</td>
<td>76.64</td>
</tr>
</tbody>
</table>

Less than a year later, things had changed dramatically. In October 2008, in an effort to avoid the collapse of the bank, Her Majesty's Treasury took the first in a series of steps which have essentially led to the nationalization of RBS[^3]. As of January 2009, the UK government holds around a 70% stake in the bank, and the share price is performing poorly.
By stepping in, the government provided some stability and reassurance for customers however, had the bank's organizational culture and actions been different, it is unlikely that their situation would have been so dire in the first place.

**Warning signs and barriers**

The financial problems experienced by the Royal Bank of Scotland and others did not simply appear overnight. Information existed years beforehand, anticipating great financial losses. This information was ignored, or perhaps simply deemed insignificant at the time.

On reflection, an obvious warning sign was the bank's involvement with subprime mortgages. In the last decade, as house prices increased many banks allowed borrowers to take out high risk mortgages. These subprime mortgages can be defined as a "class of mortgage used by borrowers with low credit ratings" [4]. Due to the increased risk of borrowers defaulting on these loans, banks charged high rates of interest on them. The loans were then sold as interest bearing bonds to financial institutions around the world.

Banks agreed to more loans based on less capital. They became complacent and overconfident, falling into the trap of assuming that the economic growth and increased housing prices of the past would continue rather than re-assessing the present-day risks periodically.

In August 2002, economist Dean Baker [5] produced a report on the housing market, including the "likely implications of housing prices returning to more normal
levels" and the "economy's near-term prospects, given the likely collapse of the housing bubble". Over the next few years, Baker and other economists including Nouriel Roubini essentially sent up warning flares for financial organizations but these efforts were not sufficient to prevent the crises.

As predicted, house prices started to fall in 2006-2007 (and have continued to do so). The changes in the housing market meant increased numbers of borrowers were unable to meet mortgage payments. Consequently, the bonds and securities from the subprime mortgages drastically decreased in value, leaving banks like RBS with bad debts, concerned staff and customers, and an environment where "banks no longer trust each other"[1].

It should be noted that not all banks disregarded warning signs associated with subprime mortgages. "Unlike other lenders, who have sliced, diced, and sold off their loans to Wall Street, ING has kept all $26 billion of its loans on its books."[6] The organizational culture at the Dutch ING Group appears to be different from many other banks. Statements such as "You can't be giving $500,000 homes to people making $30,000 a year just because you can sell the paper to Wall Street."[6] suggest that they already take a more accountable and ethical approach to their business practices and they have paid more attention to their customer needs and realities.

**Perceptions**

When transparency and openness is incorporated into an organization's culture, this sends a clear message promoting honesty and trustworthiness. When organizations attempt to hide or deflect certain issues, it creates the perception of dishonesty and deceptiveness - a view that can often be very hard to change.

RBS was part of the consortium that acquired the Dutch bank ABN AMRO in 2007. At the time there were rumors suggesting that RBS needed to bolster its own financial status by seeking money (via share rights) from its shareholders. RBS denied the allegations and initially appeared to convince banking analysts that concerns were "overblown"[7]. Continued speculation and comment followed, including criticism in February 2008, that RBS had paid too much on the ABN AMSRO deal; a claim that was rebutted by RBS Chief Executive Sir Fred Goodwin[7].
In April 2008, contrary to previous denials, it was announced that: "Royal Bank of Scotland (RBS), the UK's second-biggest banking group, is asking shareholders for an extra £12bn to shore up its finances"[8].

Other Risks

To add insult to injury, in December 2008, news of the fraudulent investment scheme run by Bernard Madoff unfolded. Playing the high risk stakes back-fired spectacularly and "Royal Bank of Scotland said it could potentially lose about £400m if all its investments had to be written off."[9]

Culture Change Considerations

The current state of the banking industry has brought with it a clear sense of urgency for change. When building a case for change, management has the opportunity to properly assess what has gone wrong, get a clear understanding of the current status, and identify the benefits of the proposed cultural change.

For example, banks must eliminate the culture of denial, "Wishing will not make things happen, and ignoring a situation won't make it go away."[10] When things go wrong, they must be addressed as soon as possible, in the best way possible. Ignoring the issue or making half-hearted attempts to resolve a crisis is more likely to result in failure and embarrassment for the organization.

Also, increased scrutiny has highlighted differences between the public's perception of how banks should behave and how they actually behave. Clearly, the organizational culture that allowed taking advantage of inadequate legal regulations, providing irresponsible loans, and ignoring warning signs is not sustainable. Therefore, banks must move towards culture that is more accountable. Banks must question their performance history and standards; they can also seek customer feedback. Revised standard procedures must then be properly implemented to establish effective communication channels, with continuous monitoring to encourage real progress and avoid slipping back to a culture of high risk gambles and greed.

Proposed changes will often encounter resistance from those affected; for example, people may fear that change will bring extra work demands, lay-offs, micro-management, or reduced benefits. Resistance is most serious when it comes from upper
management as they are in a position to withhold information, undermine credibility, implement opposing strategies, etc. However, by managing resistance sensibly and sensitively, the organization is more likely to gain support for the change. Employees fearful of the uncertainty introduced by the change can be more informed. Employees reluctant to lose large bonuses or other benefits may be persuaded by new incentives and opportunities provided by the change. Employees concerned about the consequences of putting the new procedures into practice (e.g. the personal impact of admitting failures or highlighting problems) can be given clear assurances as to how the changes will be applied in order to support the new culture. Overall, good communication between those proposing the change and those involved can help to ensure key issues are raised and addressed, paving the way for a successful cultural transformation.

Conclusion

In the age of the Internet and real-time global mobile communications, news and speculation spreads faster than ever before to a broader audience than ever before. Financial organizations must not underestimate the ease with which their actions can be discovered, reviewed, and communicated both internally and externally. If those actions are dubious, generate confusion or create an atmosphere of panic, this results in a lack of trust felt by employees, customers and associates. In turn, this can result in customers and employees speaking out against the company or leaving. Furthermore, if competitors recognize signs of discontent, they will readily seize opportunities to their advantage, promoting their cultural and ethical differences as they do so.

Essentially, if financial institutes are to maintain a respectable and viable existence, it seems that they must consider options for changing their organizational culture - i.e. they must challenge the blend of assumptions, values and norms that represent the organization's current personality. While it is inevitable that the nature of the financial field will require banks to continue taking calculated risks, the emerging situation suggests banks would do well to reflect upon alternative methodologies for managing issues such as transparency, responsibility and ethical principles.

As a final point, the following table lists some general do's and don’ts that organizations might consider when reviewing their own particular organizational culture:
<table>
<thead>
<tr>
<th><strong>DO'S</strong></th>
<th><strong>DON'TS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>DO</strong> try to be flexible</td>
<td>• <strong>DON'T</strong> stick rigidly to traditional behavior</td>
</tr>
<tr>
<td>• <strong>DO</strong> take responsibility for your actions</td>
<td>• <strong>DON'T</strong> try to pass the buck</td>
</tr>
<tr>
<td>• <strong>DO</strong> pay attention to internal and external changes and forecasts</td>
<td>• <strong>DON'T</strong> ignore things you don't like</td>
</tr>
<tr>
<td>• <strong>DO</strong> communicate with employees, customers and associates</td>
<td>• <strong>DON'T</strong> underestimate the power of the media</td>
</tr>
<tr>
<td>• <strong>DO</strong> work within legal regulations and codes</td>
<td>• <strong>DON'T</strong> recklessly take advantage of questionably poor regulations</td>
</tr>
<tr>
<td>• <strong>DO</strong> make an effort to be transparent and address problems quickly</td>
<td>• <strong>DON'T</strong> try to cover up problems</td>
</tr>
<tr>
<td>• <strong>DO</strong> take (and encourage) risks</td>
<td>• <strong>DON'T</strong> let outstanding results from the past adversely bias current risk assessments</td>
</tr>
<tr>
<td>• <strong>DO</strong> reward people for legitimate endeavors</td>
<td>• <strong>DON'T</strong> give bonuses purely based on seniority</td>
</tr>
<tr>
<td>• <strong>DO</strong> explore avenues for shared leadership</td>
<td>• <strong>DON'T</strong> hinge organizational success or failure on one individual</td>
</tr>
</tbody>
</table>
Bibliography


3. BBC News, "RBS shares plunge on record loss",

4. InvestorWords, "subprime mortgage Definition",


7. City A.M. "Does RBS's acquisition of ABN Amro really do what it says on the tin?",

8. BBC News, "RBS sets out £12bn rights issue",

9. BBC News, "Watchdog queried over Madoff case",

    19, 121.
Chapter 9 Addressing the Human Component of Change Management

**Editor:** Joe Chang, Vicki Chen, Wendell Santos, Henry Huang, Hong Wei, Jingjing Sun

**Reviewer:**

**Learning Objectives**

- Understand how resistance and acceptance can affect the implementation of change.
- Learn how to overcome resistance to change.
- Understand signs of acceptance to change.

**1. Introduction**

*To improve is to change; to be perfect is to change often.*


For organizations today change is an inevitable part of doing business. Increased competitive pressures, technology advances, and a diversifying workforce means businesses have to change in order to survive. The reality is that more than half of all organizational change initiatives fail. The result of such failure is that many change efforts neglect a key area: the human component.

Understanding the cause of employee resistance is necessary if a manager is to overcome it and implement change successfully. A manager must realize that how they view change is different from how employees view change. “Both groups know that vision and leadership drive successful change, but far too few leaders recognize the ways in which individuals commit to change to bring it about” (Strebel, 1996, p. 86). By understanding why employees are resisting a
change, a manager can begin to formulate a strategy for overcoming it and thus encourage its acceptance.

Therefore, this chapter will discuss the issues surrounding those affected by change efforts. We will start with human resistance to changes, talking about the forces of resistance and signs of resistance. Then the chapter comes to the issue on how to overcome resistance. In this part, different methods dealing with resistance will be addressed, including motivating employees, reducing stress, communicating with staff and so on. Finally we will arrive at the last section of the chapter – understanding signs of acceptance.

2. Human Resistance to Change
Whenever change is proposed, a natural instinct is to resist it. This resistance can take many forms and if it is not dealt with by those advocating the change, the entire initiative can be difficult if not impossible to implement. To better know how to deal with resistance, it is much helpful to know what the forces of resistance are and how to ascertain the existence of resistance from your employees.

A. Forces of Resistance
There are many methods that can be used to overcome resistance, but it is helpful to first understand the different forces of resistance. Diagnosing the forces of resistance in play can give a manager insight into why this resistance is taking place.

i. Political

“One major reason people resist organizational change is that they think they will lose something of value as a result. In these cases, because people focus on their own best interests and not on those of the total organization, resistance often results in ‘politics’ or ‘political behavior’” (Kotter, 2008, p. 132). Of course, political resistance can occur amongst groups of people or entire departments. People have been used to the old working style. However, during
the process of change, some departments have to lose staff, responsibility, budget, or suffer a loss of institutional clout and status. In turn, people of these departments are forced to accept new tasks and responsibilities, which they are not probably interested in at all. To keep the institutional valued perquisites or privileges, the only choice is that they work harder. An example of this would be middle management from marketing resisting a change initiative from the IT department to introduce a new customer relationship management system. They might feel that this new system would take away some of their decision making power and naturally resist it even though implementing the system would be in the best interest of the company.

Although political behavior seems a big issue, actually, it often shows subtly. Employees won’t directly declaim that they resist the change because of their potential loss from changes which they view as an unfair violation of their implicit, or psychological, contract with the organization. Most time, it just occurs completely under the surface of the table.

The key for the change manager is to understand that this behavior stems from the individuals or groups fear of losing something they perceive as valuable. They focus on short term loss instead of trying to see the long term benefits both to them and to the organization. A manager therefore has to make sure that those who are resisting the change truly understand it and its implications.

ii. Technology

“Management sage Peter Drucker has said that, for new technology to be embraced, it has to have 10 times the advantages of what people previously did” (Davidson, 2002, p. 22). For employees to embrace a new technology, the perceived relative advantage must be great enough to abandon the current technology. Oftentimes the benefits of a change in technology are not fully communicated and the result is that people do not fully understand or trust it. Adoption can be especially low if the new technology is implemented side by side with an old one. Because the old one gives employees the opportunity to continue using processes that are
familiar and comfortable. Another barrier that a manager may face is employees’ fear of not having appropriate skills or of having to learn new skills to use the technology. Hence we must warrant that employees are provided the right knowledge and skills to implement the new technology, so as to motivate people to learn a new technology. Combining training along with communication about the advantages of new technology can go a long way towards reducing the resistance that a manager may face. Before forcing the change on people within the organization though, a manager should take time to make sure that they are prepared to deal with it.

iii. Cultural

Cultural resistance occurs when a change initiative threatens or is in opposition to an organization’s established culture. “Culture should show up in a host of management processes: Who is hired, who and what is trained, how compensation works, how decisions are made, how strategies are formed and how information is shared” (Ulrich, 2008, p. 49). Culture is such a pervasive part of any organization that it is bound to be affected by any change initiative. If the change is either not aligned with the current culture or in direct opposition to it, then resistance is inevitable. Finley and Hartman describe a previous study on public school teachers, showing several factors associated with public school teacher resistance to change that occur at the cultural or institutional level. Many of these are applicable to the university level. “First, a lack of opportunities to collaborate impacts the desire and ability to learn about and experiment with innovations. Second, a lack of support, either administratively or collegially, constrains change” (Finley et al, 2004, p. 325). Another example of culture being resistant to change is the system of evaluation and rewards used by an organization. “We want you to boldly leap into the future’ is the communication, yet the system says ‘Boldly leap into the future and you will receive ten cents if you succeed and a hammer on the head if you fail’” (Kotter, 2002, p. 108). Changing the culture also means that employees have to let go of the old culture that they have had a part in creating. Consider the reluctance of senior management to culture change, “generally this group has been with the company for a while and is responsible for the current culture. Building a new culture means dismantling the one they created. The direct challenge ‘I don’t believe in this’ is easy to deal with because you can talk it through and either come to agreement or part ways”
Understanding the culture and how it will be affected is one of the most important aspects of change management. “The culture influences the joie de vivre, the engagement and enthusiasm of staff” (Marc and Farbrother, 2003, p. 14). By ignoring the effects of change on culture, a change initiative is bound to fail.

Today, outsourcing has become a popular way of doing business especially for U.S. and European companies. Enterprises cooperate with vendors to enhance their core competitiveness or leverage professional knowledge from vendors to improve customer service quality. The greatest challenge for the success of outsourcing should be human resources management. The government or enterprise often uses outsourcing services to achieve organizational downsizing. Employees fear for losing their jobs. Once they think outsourcing will eventually lead to their unemployment, they will put no effort on their jobs. Employees need to confirm that their places will not be replaced, and even then have to be replaced, the company should provide the appropriate help such as job relocation. Between outsourcing periods the enterprises must communicate with employees, let employees get involved in the outsourcing process and understand how suppliers provide services, and stress the outsourcing’s beneficial effects on the staff to reduce the resistance of employees. Another challenge of outsourcing is that the extent of loyalty or commitment of outsourcing staff to the organization will influence the overall quality of the project. Unless the work is short-term job or service provided by outsourcing companies is very professional, such as a security or cleaning service, organizations must often implement the education and training because of the rapid movement of human resource.

**iv. Process**

Similar to how resistance can occur because of systems that influence the organizational culture, processes can also inhibit an organization’s ability to change. “By processes, we mean the patterns of interaction, coordination, communication, and decision making employees use to transform resources into products and services of greater worth...One of the dilemmas of management is that processes, by their very nature, are set up so that employees perform tasks
in a consistent way, time after time. They are meant not to change or, if they must change, to change through tightly controlled procedures” (Christensen and Overdorf, 2000, p. 68). Even if a manager is able to achieve employee support, the current processes may be set up in such a way that would not work with the proposed change. The challenge lies in recognizing which processes need to change. Often it is those processes which mostly run in low efficiency and have bad reflection to the organization should be changed.

v. Competing Commitments

One of the more difficult forms of resistance to change is the competing commitments. It is a “resistance to change that does not reflect opposition, nor is it merely a result of inertia. Instead, even as they hold a sincere commitment to change, many people are unwittingly applying productive energy toward a hidden competing commitment” (Kegan and Lahey, 2001, p. 85). This is a psychological resistance that happens without the employee knowing why. An example is about a rising project manager named Helen falling behind schedule even though she is committed to the project. Only after self examination did she learn that “she had an accompanying, unacknowledged commitment to maintaining a subordinate position in relation to [her manager]. At a deep level, Helen was concerned that if she succeeded in her new role - one she was excited about and eager to undertake - she would become more a peer than a subordinate. She was uncertain whether her manager was prepared for the turn their relationship would take. Worse, a promotion would mean that she, not her manager, would be ultimately accountable for the results of her work - and Helen feared she wouldn't be up to the task” (Kegan and Lahey, 2001, p. 87). The reason competing commitments are so hard to recognize is because often the employee truly is open to the change. Their behaviors are inconsistent with their goals however and may reveal an underlying immunity to change.

vi. Unrevised Personal Compacts

“Employees and organizations have reciprocal obligations and mutual commitments, both stated and implied that define their relationship. Those agreements are called personal
compacts” (Strebel, 1996, p. 87). Resistance occurs when managers try to implement organizational change without updating the agreements. The three dimensions that make up personal compact are formal, psychological and social. “Unless managers define new terms and persuade employees to accept them, it is unrealistic for managers to expect employees fully to buy into changes that alter the status quo” (Strebel, 1996, p. 87). When the agreements are not updated, “employees often misunderstand or, worse, ignore the implications of change for their individual commitments” (Strebel, 1996, p. 88). This break of the personal compacts can cause employee commitment to change to plummet.

**B. Signs of Resistance**

To anticipate the resistance that may occur, a change leader should understand two aspects of it. The first is to understand the root cause of why employees are resisting change in the first place. The other aspect is to recognize how the resistance may manifest itself.

**i. Why Do Employees Resist Change?**

In today’s business climate, increased competition means that decisions must be made faster than ever before. To respond to this, businesses are often forced to make large scale organizational changes. These changes may include “new technologies, mergers and acquisitions, restructurings, new strategies, cultural transformation, globalization, and e-business” (Kotter, 2002, p. 1). “For many employees, however, including middle managers, change is neither sought after nor welcomed. It is disruptive and intrusive. It upsets the balance” (Strebel, 1996, p. 86). Resistance to change is a natural and expected part of any change management initiative. It can also be difficult to recognize and if it is not dealt with properly, resistance can undermine the best planned change strategies. Dealing with resistance is not always easy but ignoring it can put the entire change effort in jeopardy. “Roughly 70 percent of change efforts fail or are derailed, and the consequences are significant in both the short- and long-term” (Olson, 2008, p. 39). Resistance can come from both employees and management alike. It happens for reasons such as fear of the unknown or comfort with the way things are. Generally, it will occur for one of the following four reasons:

1. A desire not to lose something of value;
2. A misunderstanding of the change and its implications;
3. A belief that the change does not make sense for the organization; and


ii. How Do They Go About Resisting It?

Managers leading organizational change should pay close attention to how those in the organization are resisting change. Resistance to change can occur at all levels of the organization and both individual and group behavior can give a clue for the reasons behind it. The easiest method to recognize is active resistance. This resistance frequently manifests itself in the form of vocal objections to the change. This can include bringing up reasons why the change won’t work, campaigning for the status quo and decrying the change around others in the organization. When resistance takes this form it is easy to recognize and react to, however the more difficult form is that of subtle or passive resistance. This can happen in a couple of ways; at the highest level it “occurs when the CEO’s message is carried by the senior group back to their units in not quite the same form as it was originally intended...This type of resistance is tough to sort out because it is so subtle and may even be subconscious on the part of the senior group” (Fagiano, 1994, p. 4). Passive resistance can also be seen amongst employees, at lower levels of the organization. “It generally takes the form of something like, ‘Yesterday I processed invoices. Today I processed invoices. So what’s different?’” (Fagiano, 1994, p. 4). Managers have to be aware of what is happening at all levels of the organization to be sure that they are not underestimating the level of resistance to the change.

3. Overcoming Resistance and Implementing Change Successfully

Change plays a very critical part of a business; therefore, it needs to be handled, controlled, and directed very carefully. If the resistance to change is anticipated or correctly diagnosed, then a manager can begin to take steps to build acceptance for the change. Building acceptance is a key step as it makes successful implementation much more likely. How can managers overcome resistance and bring beneficial change to add value to organization is the main focus of this section.
Resistance will happen at different times in different places, and methods to overcome resistance are numerous. How can managers apply the right method at the right time and place? Here is a list of methods to help managers choose the right method to overcome resistance. Part of the list adapted the “Six Methods for Dealing with Change,” from “Choosing Strategies for Change.” Items one through five on list are about things managers should do when they are overcoming resistance, and the rest of the items on the list are about tactics managers can use. This section will expend on the ideas from the list.

1. Motivating employees during times of change
2. Dealing with employees stress caused by change
3. Gain senior management support
4. Have sufficient resources for the change implementation
5. Effectively and continuously communicate to all impacted
6. Well planned and organized approach
7. Quick hits/wins
8. Managerial tactics for dealing with change (Kotter & Schlesinger, Choosing Strategies for Change, 1979, p.106-114)
   - Education
   - Participation
   - Facilitation
   - Negotiation
   - Manipulation
   - Coercion

A. Motivating Employees during Times of Change
Employees tend to feel uncertain about their work and future when facing change. It is the responsibility of the manager to show more concern about employees’ work and provide appropriate support at the time of change. Showing an interest in what is going on as well as how the employees are doing on the work cannot only create the sense of “teamwork” but also can build a close relationship between employees and managers. To better know how to motivate employees, it is helpful to understand two prevalent theories in motivation: Maslow’s Theory, Theory “X” and Theory “Y”.
i. Maslow’s Theory of Human Motivation

Abraham Maslow’s hierarchy of needs is one of the most famous theories for understanding human motivation (Maslow, 1954). Maslow suggests that people are motivated by needs that can be categorized in a hierarchical order from the lowest, most essential, to the highest, most desired. Maslow’s hierarchy of needs is as follows:

1. Physiological need: They include needs for oxygen, food, water, sleep, warmth, and shelter, etc.
2. Safety and security needs: Individual’s needs for personal security, protection, structure and sense of certainty.
3. Social needs: Emotionally-based needs, which involve affection and belongingness – people seek for giving and receiving affection in relationship with others, such as friendship, intimacy, and family.
4. Self-esteem needs: The needs of being recognized by self and others. People want to gain recognition and feel accepted and self-valued.
5. Self-actualization needs: Needs for self-achievement. People desire realization of their potential to prove their ability.

As pictured in Figure 1, the physiological needs should be fulfilled first, followed by safety and security needs. Once these foundational layers are met, the individual strives to meet social needs, then self-esteem needs. Finally, when all the lower-level needs are satisfied, humans pursue the needs of self-actualization; they seek for self-fulfillment, personal growth and realization of personal potential.
How to properly and effectively motivate employees when an organization’s structure and processes are undergoing change is a key challenge for managers. By applying Maslow’s hierarchy of needs, managers can better discover what their employees want, hence motivating them to perform better work and helping them to successfully transition through change.

Also, managers should show their appreciation and respect for employees’ dedication to working at change, hence carrying out their desire of gaining greater recognition. Discovering what employees want and rewarding them accordingly when they do a great job can keep employees highly motivated and ensure that the change process goes smoothly. It is also a good idea to give employees more responsibility when needed. Employees would not try to
implement the change unless they believe they have the skills and authority to effect the change (Pascale, 1997). Empowering the right employees can help increase the possibility that a change effort will succeed.

**ii. Employee Motivation Theory “X” and Theory “Y”**

Douglas McGregor proposed Theory X and Theory Y to explain human motivation based on the difference of human nature (McGregor, 1960). Theory X assumes that employees

1. Are lazy, inherently dislike work
2. Avoid responsibility unless directed or forced to work
3. Are not ambitious, want to feel secure at work
4. Are resistant to change
5. Are self-centered, do not care about their organization, have little propensity in solving organizational problems
6. Have motivation only at the physiological and security levels of Maslow’s hierarchy of needs

Theory Y assumes that employees

1. Innately enjoy work
2. Are self-directed, motivated and creative to achieve their organizational objectives
3. Are committed to their work when proper rewards are in place
4. Accept responsibility and seek responsibility

McGregor points out that Theory X does not work well because it relies on lower needs for motivation. In more developed societies, physiological, safety and security needs are mostly satisfied and thus can no longer motivate employees. In this case, motivation seemed more likely to occur with the Theory Y model according to McGregor. McGregor maintains that managers who apply Theory Y, using employees’ personal needs for fulfillment to achieve organizational objectives, only receive good results but also help employees grow and develop.
During the time of change, carefully analyzing employees’ nature toward work and choosing the most appropriate way to motivate them can help managers successfully lead change. It would be helpful for managers to keep both models in mind. When managers encounter situations that humans’ nature may influence their motivation as they implement change, it’ll be useful to consider Theory X and Y as a base for choosing how they motivate people. Managers may adopt an authoritarian management style to motivate Theory X employees, where they might use an empowering style to motivate Theory Y employees. Effective managers could use this theory as a simple reminder when they have to choose ways to motivate employees.

**Case Study 9.1 Incentives to keep employees focused on the right things**


[http://findarticles.com/p/articles/mi_m0MJG/is_1_9/ai_n31120462?tag=content-inner;col1](http://findarticles.com/p/articles/mi_m0MJG/is_1_9/ai_n31120462?tag=content-inner;col1)

**Organization overview**

Continental ranked tenth out of the ten largest U.S. airlines in all key customer service areas as measured by the Department of Transportation: on-time arrivals, baggage handling, customer complaints, and involuntary denied boarding.” The airline had already been in bankruptcy twice, and was headed for a third round as its cash dried up. In 1994, Gordon Bethune took the helm, with Brenneman becoming president and chief operating officer. They staved off bankruptcy by renegotiating with their creditors. And they launched an organizational turnaround that proved remarkably successful, catapulting Continental from worst to best among big U.S. carriers.

**Change management efforts**

Brenneman and his team began by introducing a host of measures to track and guide key levers of company performance. They divided the measures into four categories: marketplace, product/customer, people, and financial. They set targets for their employees, provided meaningful incentives to meet them, and then let the employees figure out how to achieve the results.
For instance, because Continental had failed to meet budget forecasts, Brenneman and Continental chairman and CEO Gordon Bethune instituted a tantalizing bonus program: for each quarter that the company met its revenue and earnings forecasts, senior executives would receive bonuses equal to 125 percent of their quarterly pay. They offered similar bonuses on a six-month schedule to lower-ranking managers. Lo and behold, Continental soon met its first budget forecast.

A similar program was instituted for the airline’s on-time performance. When Brenneman arrived at Continental, the company ranked near the bottom of all airlines in on-time arrivals and departures. This hurt Continental’s image with travel agents and customers, particularly with busy – and highly profitable – business travelers. In response, management offered all employees an after-tax bonus of $65 for every month that Continental was in the top five airlines for on-time performance, and $100 per month if the airline was first.

**Outcome**

Within months Continental was near the top of all airlines in on-time performance. The program remains in place today, and so do its results: Continental ranked first in on-time service for 13 months running in 2002.

**B. Dealing with Employee Stress Caused by Change**

Research shows that stress costs the industry over $300 Billion a year in the United States, over $16 (approx USD $11.4 Billion) Billion a year in Canada, and as much as £7.3 Billion (approx USD $11.8 Billion) in the United Kingdom (Tangri, 2003). An organization with significant levels of employee stress cannot consistently deliver quality services (Teratnavat, R., Raitano, R., & Kleiner, B, 2006). Levels of employee stress are compounded when organizations face change. It is important that managers help employees deal with stress to successfully transition through the change. In this section, we will first talk about Lazarus’ stress and cognitive appraisal theory and the Grief cycle.
i. Cognitive Theory of Stress and Coping

The definition of stress has been widely accepted as a process of interaction between the person and the environment (Folkman & Lazarus, 1985; Folkman, Lazarus, Gruen, & DeLongis, 1986). One of the most accepted models of stress is the “Cognitive Theory of Stress and Coping” model proposed by Folkman and Lazarus (Folkman & Lazarus, 1985), which emphasizes the continuous, reciprocal nature of the interaction between the person and the environment.

As crucial components in this model, appraisal, i.e., individuals’ evaluation of the significance of what is happening for their well-being, and coping, individuals’ efforts in thought and action to manage specific demands (Lazarus, 1993) have both been proposed as intermediaries of the stress reactions. The process of stress begins with individuals’ evaluation of the significance of an encounter, and efforts are put in thought and action to manage specific demands.

*Cognitive appraisal* is a process in which a person evaluates whether an encounter with the environment is relevant to his or her well being, and if so, in what ways (Lazarus, 1993). In stress and coping, the person’s evaluations of encounters are considered as primary and secondary appraisals. In primary appraisal, “the person evaluates whether he or she has anything at stake in this encounter (Folkman, Lazarus, Gruen, & DeLongis, 1986, p. 572).” A primary appraisal is made when the individual makes a conscious evaluation about an encounter of whether it is a harm or loss, a threat or a challenge (Folkman, 1984). For example, an employee may consider “is there potential harm or benefit to values or self-esteem?” when he or she faces an organizational change.

In secondary appraisal, “the person evaluates what if anything can be done to overcome or prevent harm or to improve the prospects for benefit.” Various coping options, such as physical, social, and psychological well being, are evaluated during this process (Folkman & Lazarus, 1985). An employee may consider: “should I accept it?” “Do I need to seek for more information?” or “Are there alternatives?” in this process.
“Coping refers to cognitive and behavioral efforts to master, reduce or tolerate the internal and/or external demands that are created by stressful transaction” (Folkman, 1984, p. 843). In the process of stress, coping has three key features. First, it is **process oriented**, which means that it focuses on what the person actually thinks and does in a specific stressful encounter. Second, coping is **contextual**; that is, it is influenced by the person’s appraisal of the actual demands in the encounter. Third, there are **no prior assumptions** about what constitutes good or bad coping (Folkman, 1984). When employees encounter stressful situations under change, they try to find ways to reduce or adapt to the pressures.

When an organization decides to implement change in response to the outside environment, employees have to face an overwhelming number of adjustments to their work, such as new business processes, increased workloads, and misgivings about their futures. Often, employees under such changing situations do not work as effectively or efficiently as usual. If the ongoing stress cannot be released and exceeds an individual’s coping abilities, it can cause negative effects such as higher absenteeism, longer and more frequent sick leave, and low productivity (Tangri, 2003).

**ii. The Grief Cycle**

With any loss, a person goes through stages of “grief”. The process of grief has been described as passing through a number of phases. The most widely staged theory is brought up by Kubler-Ross (1969), who established the Grief Cycle model originally titled ‘The 5 Stages of Receiving Catastrophic News’ (Kubler, 1969). The Grief Cycle model can also be applied to change. When people face a loss or change, they tend to react in a predictable way which can be represented as Figure 2.
The key to successfully cope with change is the ability to face the situation and actively seek for solutions (Diede, 2007). To help employees process the grief cycle under intense organizational change, managers should help them develop positive attitudes about change, care about their feelings, listen to their needs and provide support. Take a lay-off as an example. Handling with making people redundant is probably one of the most difficult parts for managers. Then what should managers do based on different stages in the grief cycle?

1. The grief cycle starts with employees’ shock and **denial** to the news of lay-off. And people in shock will not hear things straight and they will go into immediate denial. Then as a manager, you need to keep the message simple and clear when delivering the news. The clearer the message, the sooner employees will hear it.

2. After moving out of **denial**, they will come into **anger**. It is not surprising that employees will be angry with the decision, since their life has been disrupted and they are now out of control. At this stage, managers are usually blamed. Even so, you should not argue. You’d better understand them and let them express their anger.
3. **Dialogue** and **bargaining** is the stage where employees can take their control back. They will become more rational and open to debating. At this stage, managers should, first of all, not go back on any element of the original decision. Second, find positive elements for employees to help them to start owning and designing the future. This is also the start of the process which helps embed the acceptance since employees get some control back.

4. Though we’ve provided employees with all positive elements about the parts of the new plan that they can own and design, the cycle can not come straightly to acceptance. Employees may feel defeated again. Thus in this stage – **depression** and **detachment**, it is better for managers to give them a little space, empathize them, and listen to them.

5. The depression and detachment stage won’t last long. You will find that people eventually get fed up of feeling low, and start to get on with the change days later. Managers should give them enough encouragement and finally move them to **acceptance** stage to get business ready to move forward again. (Gareth Chick, 2009)

**C. Gain senior management support**

Change is a big event in an organization, which almost involves everyone, including the CEO, managers, and common employees. It cannot be conducted without leadership. The support from senior management is especially important. They are the key roles to lead the implementation of the change throughout each department or project. If the senior managers cannot accept the change, neither the employees of lower level can be expected to understand the change. As the result, the change is doomed from start. The selection of senior management is critical to the success of the project, which should be competent, energetic and expertise.
D. Have sufficient resources for the change implementation
Sufficient resource is the strong background to ensure the success of the change, including money, equipment, people, facilities, and anything else which is necessary to the change. No CEO dares start a change spreading the whole organization without completed preparation. Otherwise, it must lead to heavily bad effect on the project task. If projects have ever experienced a lack of resource situation, it greatly increased the risk of the project and lower the chance for the project to get successful end.

E. Effectively and continuously communicate to all impacted
A survey, done by IT Cortex, an IT consulting firm, identified the main causes of IT project failure are a breakdown in communication (57%), a lack of planning (39%), and poor quality control (35%). The survey was done in 1998 by telephone interviewing 203 IT and project managers in finance, utilities manufacturing, business services, and telecoms and IT service sectors in UK (IT Cortex, 2008, p.1). Fifty-seven percent of projects failed because they had communication breakdown. If the communication had been better, the projects would have had a better result. Sometimes, communication can be difficult due to the timeline of the project. Therefore, communication needs to be established as quickly as possible. Communication planning is just as important as project task planning (Cornelius & Associates, 2004, p.1-2). To ensure the success of a project, the project team has to make sure that communication not only keeps all the major stakeholders up to date, but also smooth the progress of obtaining feedbacks.

Case study 9.2 Communication Helps Reduce Resistance
(Source: http://www.hr.msu.edu/NR/rdonlyres/ED4C6BB3-572E-4381-8CDD-83362E31FD61/0/MoreonNavigatingChangefinaldocforweb.pdf)

Organization description

MU is a small company. As the economy has experienced a continuing downward trend, it is facing a difficult challenge – to reduce costs and increase efficiency and effectiveness in order to adapt and react to rapidly changing economic and business conditions.

Change efforts
When MU starts its efforts in change, fearful and uneasy emotions rise among its staff. People generally tend to resist any new way of acting or thinking because it causes them discomfort. When they are asked to handle work differently or take on different responsibilities, they tend to think that the way they have been working is somehow wrong and deserving of blame.

HR manager of MU decides to execute a “Communication Plan” to cope with the resistance of people. There are six key components in MU’s Communication Plan.

• Communicating the **why** related to change in order to create understanding, alleviating fear and insecurity.

• **What** to communicate. The general message and the rationale and technical aspects surrounding a change should be clarified. The change process should be explained. And the “me” questions connected with the change should be answered.

• **When** communication. Keep everyone updated throughout the change process, both formally and informally. If rumors surface about a specific change, bring people together for a frank discussion of the issue.

• **Communication to whom**. Target communication to everyone who is directly affected plus anyone else who might want or need to know.

• **How** to deliver the communication. Open and honest dialogue is adopted. Constructive criticism is welcomed.

• The **methods** of effective communication. MU use large group meetings to announce major changes and new directions that affect all stakeholders. Small group and team meetings are adopted to address specific problems, providing details, and answering questions. One-to-one meetings are used to deal with change on an individual level, handling individual questions and concerns.

**Outcome**

After the plan is executed in MU, employees are gradually equipped with an understanding of the need for change and the fear and resistance are mitigated.

**F. Well planned and organized approach**

No matter what is being done, it’s necessary to have a well planned and organized approach. According to Timothy Havranek, the author of *Modern Project Management Techniques for the Environmental Remediation Industry*, “a well planned project proceeds more smoothly and
succeeds more often than one that is not well planned, even if everything does not go exactly as planned” (Havranek, 1999, p.236). Here is an example from Managing Now, (Dessler & Phillips, 2008, p.6): Meg Whitman builds eBay. Meg Whitman spends five years during the time she was hired by the founder of eBay who takes eBay from nothing to billions in sales. She effectively planned the process, in 2000, she said that eBay would reach $3 billion in revenue, and by 2005, eBay did it. One of the key take away from the example is that well planned project will only help the project succeed. When the project has a problem, from the stakeholders’ viewpoint, poor planning is the first thing they blame (Gill, 2002, p.2).

G. Quick hits/wins
The basic idea is that implementing the project results is too traumatic in one step and it may be too long so that people lose both confidence and interest. The alternative is to implement several waves of changes or Quick Hits that yield benefits, raise confidence, and prepare the way for the results of the project. (Source: http://www.super-business.net/International-Project-Management/424.html) Quick hits/wins are essential to help managers overcome resistance. According to Kotter and Cohen, the authors of The Heart of Change, Quick hits/wins serve four important purposes (Kotter & Cohen, The Heart of Change, 2002, p.127-140):

1. Hits/Wins provide feedback to change leaders about the validity of their visions and strategies.
2. Hits/Wins give those working hard to achieve a vision a pat on the back, an emotional uplift.
3. Hits/Wins build faith in the effort, attracting those who are not yet actively helping.
4. Hits/Wins take power away from cynics.

Quick hits/wins will have more effect on large-scale projects. Without quick hits/wins, stakeholders of large-scale project would often feel disquiet. Stakeholders would start to question the ability of the project manager and the possibility of project success. Quick hits/wins act like a message, telling stakeholders that the project is still going, and it is going strong.
H. Managerial Tactics for Dealing with Change

In addition to motivation, dealing with employee stress, gaining support, sufficient resource, effectively communication, and well planning and organization, from management perspective, there are many useful ways to solve resistance, like education, participation, facilitation, negotiation, manipulation and coercion, as well. They are the commonly used methods to ensure the change is implemented successfully.

i. Education

Educating Stakeholders can avoid misunderstandings and reduce insecurity. The feeling of fear and uncertainty is normal when changes are being implemented because it is the nature of humans to seek predictable circumstances. They are often more comfortable and relaxed in such situations. Education is commonly used when there is a lack of information or there is inaccurate information. The advantage of using education is that once persuaded, people will be committed to implementing change. However, the drawback is time. This method can be time consuming (Kotter & Schlesinger, Choosing Strategies for Change, 1979, p.106-114), (Dessler & Phillips, 2008, p.316-317).

ii. Participation

User involvement (participation) is the number two item on the CHAOS ten. User involvement (participation) is one of the key factors that will increase the chance for a project’s (The Standish Group International, Inc., 2001, p.4). According to “Six Methods for Dealing with Change”, participation is commonly used when managers leading the change do not have all the information they need, or when resistance occurs. The advantage of using participation is that people who participate will be committed to implementing changes. Though, the drawback is that it will have a backfire situation if stakeholders do not accept (Kotter & Schlesinger, Choosing Strategies for Change, 1979, p.106-114), (Dessler & Phillips, 2008, p.316-317).

iii. Facilitation

Facilitation will help the project team and stakeholders to reach a common understanding. Facilitation is commonly used when people are resisting because of fear and anxiety. The advantage of facilitation is that no other approach works as well when fear and anxiety are the problem. However, facilitation can be very expensive and time consuming, and it can still fail if
iv. Negotiation

Negotiation is not only used for business purposes or hostage situations. People use negotiation all the time in real life. Managers use negotiation when a group or individual is negatively affected by a change, and that someone or group has the power to resist. The advantage of negotiation is that it can be a pretty simple way to avoid major resistance. But it can be too expensive if it evokes other people or groups to negotiate, too (Kotter & Schlesinger, Choosing Strategies for Change, 1979, p.106-114), (Dessler & Phillips, 2008, p.316-317).

v. Manipulation

Managers can use manipulation when other tactics either do not work or are too time consuming. The advantage of manipulation is that it can be relatively quick and reasonably priced. However, it could backfire when people feel tricked or duped (Kotter & Schlesinger, Choosing Strategies for Change, 1979, p.106-114), (Dessler & Phillips, 2008, p.316-317).

vi. Coercion

Coercion is probably the most effective way to overcome resistance. Coercion is commonly used when speed is essential, and the change makers hold power. The advantage of using coercion is that it is speedy, and it can overcome any kind of resistance, but it is risky if it makes people angry at the change makers (Kotter & Schlesinger, Choosing Strategies for Change, 1979, p.106-114), (Dessler & Phillips, 2008, p.316-317).

Case study 9.3 Reduce Resistance in Culture Change

(Source: Eric Beaudan, (2006). Dramatic change at Home Depot: success to further success - How Nardelli sustained a culture change to keep the giant growing, Strategic Direction, Vol 22, No. 9, pp 8-10)

Organization Description

Robert Nardelli moved from GE to Home Depot and became the CEO of a phenomenally successful organization, Home Depot. Home Depot is a firm whose core business is in “stack it
high, watch it fly” retail, had enjoyed a twenty year growth, culminating in a revenue of $46 billion in 2000. But Nardelli believed that the firm needed to change, because its decentralized management policy no longer made financial or operational sense. He recognized that to secure ongoing growth a company of such high turnover would need a more standardized business practice that was controlled by head office. But employees weren’t ready for a culture shock.

Change efforts

To avoid unearthing opposition to new ideas and even total failure, the importance of leadership, communication, focus and sustainability were highlighted. Nardelli’s approach to address these things includes winning his workforce over demanded close communication to explain what needed to happen and why, energy from above to inspire people and a sense of accountability to make sure that employees understood they had to take the changes in culture on.

What Nardelli did first was to start to formalize and standardize the corporate culture. Data replaced intuition in decision-making, managers started all be assessed according to the same criteria and executives were held accountable for their area during a weekly two-hour conference call. A videocast started to go out to all 1,800 stores every week to explain new products, upcoming promotions and bonus plan targets – a sign of a remarkable shift in culture from the days when each store manager bought his own lines, arranged his own promotional terms and filed paperwork in the dustbin.

Meanwhile, suggestions were adopted to overcome resistance from employees and make the plans on track.

1. Change the mix of people. In one day, “Super Saturday” Nardelli brought in 60 top executives and between them the restructures the whole of the purchasing side of the business. Employees were discussed openly and offered new jobs there and then. It was a bold move, but it was done quickly and collectively, and that’s what helped it stick.

2. Add excitement. Introducing fun, crisis, incentive and official announcements all help to win employees round. Home Depot recognized this with collaborative days such as Super Sunday, with bonus plans, with a breathless pace and with official measures of accountability.

Outcome
In five years, Nardelli has moved Home Depot through a series of dramatic changes, and has come through the other side boasting not only continued growth, an improved share price and an operating policy that makes much more business sense, but also a very real show of support from once cynical staff. In 2003, when the board went to meet analysts, 240 clapping store managers burst into the room, singing praise for the changes that had been made.

4. Understanding Signs of Acceptance

People like to have a secure, rewarding and fun job. When faced with the change of organization or job, they will resist and feel negative about it. Resistant behaviors may include anger, hostility, indifference or anxiety. Managers should give time to employees to overcome negative thinking and resistant behaviors. Managers also need to listen to employees’ concerns, encourage sharing of ideas and communicate resisting issues, and give necessary training, tools, and equipment to employees. When employees accept the change of organization or job, they will experience four stages to get engaged in the new change.

- Acceptance
- Understanding
- Willing participation
- Enthusiasm” (Guy et. al., 2005, p. 17)

How do managers know the employees’ acceptance of new change?

- provide open and regular communication
- motivate and promote team work

The below are signs that signal when a change is being supported:

- Lessened anxiety
- Employee motivation
- Employee support
- Employee engagement
- Maintained or increased trust
- Learning new skills
- Advocating the change
Once a manager has gained employee acceptance, a manager should recognize that there are different levels of support. Employees may demonstrate “cooperation (i.e. demonstrating support for a change by exerting effort when it comes to the change, going along with the spirit of the change and being prepared to make modest sacrifices) and championing (i.e. demonstrating extreme enthusiasm for a change by going above and beyond what is formally required to ensure the success of the change and promoting the change to others)” (Meyer et al, 2007, p. 194). Most people “feel bound to support a change because they want to, have to, and/or ought to” (Herscovitch and Meyer, 2002, p. 475). When employees feel that they have to or ought to support a change, they will often cooperate with it. When change is supported because employees want to, then they will begin to help the change leaders in championing the change to others.

When acceptance has been built, a manager will often find that “committed employees demonstrate enthusiasm, get involved, persist in the face of difficulties, and take personal responsibility for a program’s successful implementation (Conner & Patterson, 1981)” (Neubert and Cady, 2001, p. 421). All of these factors increase the likelihood of a change initiative being successfully implemented.

Case study 9.4 Involve Your Employees into Decision Making during Change Time
(Source: http://amps-tools.mit.edu/tomprofblog/archives/2007/02/779_change_man.html#more)

Organization description

AC is a public university faced with implementing greater student outcome accountability problem.

Change management efforts

The dean of AC knew what had to happen, but he decided that the only way to obtain commitment was to lay out the problem and have faculty members decide how to solve it. Thus he encouraged the faculty members to help determine their vision of accountability and to be champions for the vision. This was accomplished through a faculty committee, composed of leaders in the college, that developed a comprehensive plan with an underlying philosophy of assessment, a perspective on what data are to be collected, examples of collection methods, a determination of who will see the data, and a decision on how data will be used for improvement and reporting. Because collective data were to be reported and individual data provided to faculty for improvement of teaching and learning, faculty members believed that their needs were considered within the vision framework.

Outcome
The dean and the faculty committee identified short-term gains, such as published cases or success and their use in promotion and tenure materials. The more the other faculty members observed these successes and saw their applicability to their lives, the easier it was to make the needed change. The work had a sense of urgency but the faculty members saw that they could strongly influence what happened. They were pushed but they also had the time and insight to figure out how to make assessment work for them and the institution.

5. Conclusion

Although change can often be uncomfortable, with the rapid pace of business today, it is bound to happen. As a result, dealing with and leading a team through change is a critical topic for all managers. In this chapter, we examined the effects that motivation, stress and sense of loss can have on employees when going through times of change. Using the theoretical models described, managers can make decisions on how best to motivate employees. As change can often cause employee to feel stress and a sense of loss, managers who understand that can help employee to accept it easily. Resistance is a key barrier to successful change implementation. To dealing with it, the managers have to understand the forms it can take and the underlying causes of it. Several methods were described to help overcoming resistance. Once the employees accept the reality, their support can ease the implementation of change to be successful.

Case Study

Why Do Employees Resist Change?

At Philips Electronics, based in the Netherlands, employees' failure to understand changing circumstances drove the organization to the brink of bankruptcy. In the early 1980s, Philips's reputation for engineering excellence and financial strength was unparalleled, and it was a prestigious company to work for.

Like many multi domestic European companies, Philips had a matrix structure in which strong country managers ran the international sales and marketing subsidiaries like fiefdoms. Local product divisions were organized separately, and competition for resources among the different business units was vigorous. Central control was anathema, but the size and complexity of headquarters in Eindhoven grew nevertheless.

During Philips's prosperous years, a tradition of lifelong employment was part of the company culture. Job security came in exchange for loyalty to the company and to individual managers. Informal rules and personal relationships dominated formal systems for performance evaluations and career advancement. Managers' job descriptions and position in the hierarchy set limits on their responsibilities, and operating outside those boundaries was discouraged.
Subordinates weren't encouraged any differently. People weren't trying to meet challenges facing the company or even looking for personal growth. Position and perceived power in the company network determined who got what. And because seniority so directly affected an employee's career growth and level of compensation, workers had no incentive to work harder than people just above them or to exceed their boss's minimum expectations for performance.

At the same time, competition was intensifying. Despite its continued excellence in engineering innovation, Philips was having trouble getting new products to market in a timely way. Margins were squeezed as manufacturing costs slipped out of line in comparison with Sony's and Panasonic's, and market share started falling even in the company's northern European heartland, where Sony was rapidly taking over the leading position.

While costs were demonstrably out of line and operating margins were declining, Philips had no effective mechanism for holding managers accountable for failing to achieve financial targets. Budget-to-actual variances were attributed to events outside the control of unit managers. And because of the limitations of financial reporting systems and a culture that encouraged loyalty over performance, no one was able to challenge this mind-set effectively.

During the 1980s, two successive CEOs, Wisse Dekkers and Cor van der Klugt, tried to redirect the company. By the time Jan Timmer took over at Philips in May 1990, the company faced a crisis. Net operating income in the first quarter of 1990 was 3.4 million dollars compared with 125 million dollars the previous year, and the net operating loss for the year was projected by analysts at 680 million dollars. Timmer was an insider from the consumer electronics division, where he had successfully stopped mounting operating losses. But the scale of Timmer's challenge to turn the company around was matched by the pressure on him to deal quickly and effectively with the potentially crippling losses. (Strebel, 88-89)

1. What were the major challenges facing Timmer when he took over Philips?

2. Explain what type(s) of resistance stood in the way of change.

3. How would you try to overcome this resistance?

4. What recommendations would you make to Timmer to implement change at Phillips?

Summary

When Timmer took over Philips, too many headquarters existed to control local organization in the size and complexity. At the same time, competition was intensifying. However, Philips has no effective mechanism for holding managers accountable for failing to achieve financial targets. Net operating income in the first quarter of 1990 was 3.4 million dollars compared with 125 million dollars the previous year, and the net operating loss for the year was projected by analysts at 680 million dollars. The tradition of lifelong employment was part of the company culture. I would try large numbers of training to make the employees to understand and accept this change. This is what I want to give the suggestion.
The Change Management Style


Organization overview

Eastman Chemical manufactures more than 400 chemicals, fibers, and plastics in a global operation. In 1996, this company, headquartered in Kingsport, Tennessee, had 17500 employees worldwide and sales of $4.8 billion. Prior to 1980, there were usually four levels of management, from the first backline supervisors to the division heads in the service organization. The management style of the company similar to most organizations of that time was very traditional, with a culture of command and control. Management took on the role of planning, while workers were responsible only for “doing”. This had been the approach to management since the founding of the organization in 1920.

In 1979, after considering statistical process control and total quality management (TQM) implementation, top management, Eastman began the journey to TQM and team management in late 1980.

At that time, American industry had ignored the world market and was losing sales, principally to their Japanese and European competitors. One major responsibility of upper management was to reduce the levels of management to make the company more efficient. To support this change, the decision to move to team management at the Kingsport headquarters was made by the Plant Maintenance Division head in 1989. This decision was key to the Maintenance Division’s organizational strategy for the 1990s.

The move to team management, however, posed a threat to the culture of the entire organization. Some managers, supervisors, and employees felt threatened by this transition to teams.

Change Challenges

Throughout the transition, the organization has had to overcome many barriers. Many traditional managers, who were present in all levels of management and were comfortable in the traditional roles, have had to commit to this new style of management. But some of them were so wedded to the traditional management role that they did not want to manage in the new way. Throughout the entire change process, many supervisors retired or were transferred to positions where they did not manage teams. Without the support of supervisors, crew could not have accepted this new structure, which was vital.
Another barrier has been the attitude of Eastman’s traditional supervised crews. The transition to teams created a new culture that had to be able to work with the old one, since all divisions had not yet begun the transition. For example, the team-based Maintenance Division supported the very traditionally managed Manufacturing Division. Frequently this resulted in culture clash. Facilities, such as meeting rooms, which were needed to support the new culture, were not available, too.

The diversity of the workforce created a barrier as well. Now that teams were communicating and participating more, they had to be trained in how to interact with others who had different values and attitudes. Interpersonal skills were imperative for overcoming these obstacles that Eastman faced.

Some middle managers did not support the change. They felt threatened by empowering the teams just as the supervisors had. By empowering the teams, managers were not only relinquishing their own power, they also believed they were risking their job security.

**Change management efforts**

Eastman’s management has provided support in many ways. In the beginning, a consulting firm was hired to provide instruction and training to both management and teams. Management has supported the actions of the team managers and has also made them accountable for these actions. Upper management has provided direction and guidance through coaching and team meetings that are held to address the managers’ and teams’ concerns. One-on-one meeting also are held with individual managers when needed.

Eastman has provided training to all managers and employees throughout the transition process. Performance management training was given to all Plant Maintenance Division management, from first-line managers to the division head. The Maintenance Division developed training from these sessions and formed a group of consultants who worked with each crew and its team manager. Cost management, computer training, and workplace communication training were given, in addition to video training on essential elements of working in a team environment. For management, team training seminars were held. A week long course called Leadership Involvement Facilitation Technology (LIFT) training, in which managers served as coaches, was required for all maintenance personnel. LIFT training and the building of interpersonal skills created the foundation for the transition.

**Outcome**

Team management has benefited Eastman in many ways. Employee motivation, efficiency, and productivity have increased. Sales have increased 84 percent in the past 11 years. Operating income had grown 14 percent since 1994. The maintenance organization has operated under budget for the past six years and has had a turnaround of several million dollars’ profit. Process improvements ranging from 15 percent to 50 percent have resulted in cost savings for the
organization. The primary benefit, which has made the aforementioned benefits possible, is an organizational culture that emphasizes honesty, integrity, trust, and teamwork.

Teams also have benefited from this transition. They now have autonomy in their work. Team members have received valuable training and acquired skills they might not have received under a traditional system. They now have a personal feeling of accomplishment from their work, which has helped to increase self-esteem and intrinsic motivation. Team members also know that they are part of an organization that values their time and their input.

Questions for Discussion

1. How critical is the supervisor in the transition to teams? Why?
2. Why do so many supervisors have trouble with the transition to teams?
3. What do supervisors need in their transition to team manager?
4. What role changes are required on the part of upper managers, supervisors, and team members in the transition to teams?
5. What emotional reactions can supervisors expect to experience within themselves during the transition to teams?
6. What are the key differences between command and control management and team management?
7. What elements of command and control are retained or modified in team management?
8. What minimum skills and knowledge should a supervisor have before engaging in this transition?
9. What rewards are there at the end of the transition for the supervisor who becomes a team manager?
10. List three key things you learned from this case. How would you incorporate them into your own change efforts?

Summary

Some of the supervisors were so wedded to the traditional management role that they did not want to manage in the new way. They need new skills and new work style to understand the change. In the change, the role of the supervisors and managers are from decision makers to supporters. Team members became to provide suggestions and manage themselves even if the supervisors are not in office. While the management style of the company similar to most organizations of that time was very traditional, with a culture of command and control.
The Change Leader

(Source: http://www.icmrindia.org/free%20resources/casestudies/icici-change-management1.htm)

Organization overview

ICICI was established by the Government of India in 1955 as a public limited company to promote industrial development in India. The major institutional shareholders were the Unit Trust of India (UTI), the Life Insurance Corporation of India (LIC) and the General Insurance Corporation of India (GIC) and its subsidiaries. The equity of the corporation was supplemented by borrowings from the Government of India, the World Bank, the Development Loan Fund (now merged with the Agency for International Development), Kreditanstalt fur Wiederaufbau (an agency of the Government of Germany), the UK government and the Industrial Development Bank of India (IDBI).

In May 1996, K.V. Kamath (Kamath) replaced Narayan Vaghul (Vaghul), CEO of India's leading financial services company Industrial Credit and Investment Corporation of India (ICICI). Immediately after taking charge, Kamath introduced massive changes in the organizational structure and the emphasis of the organization changed - from a development bank mode to that of a market-driven financial conglomerate.

Kamath's moves were prompted by his decision to create new divisions to tap new markets and to introduce flexibility in the organization to increase its ability to respond to market changes. Because of the organization's new-found aim of becoming a financial powerhouse, the large-scale changes caused enormous tension within the organization.

Change Challenges

The systems within the company soon were in a state of stress. Employees were finding the changes unacceptable as learning new skills and adapting to the process orientation was proving difficult.

The changes also brought in a lot of confusion among the employees, with media reports frequently carrying quotes from disgruntled ICICI employees. According to analysts, a large section of employees began feeling alienated. The discontentment among employees further increased, when Kamath formed specialist groups within ICICI like the 'structured projects' and 'infrastructure' group.
Doubts were soon raised regarding whether Kamath had gone 'too fast too soon,' and more importantly, whether he would be able to steer the employees and the organization through the changes he had initiated.

**Change management efforts**

ICICI was putting in place a host of measures to check this unrest. One of the first initiatives was regarding imparting new skills to existing employees. Training programmers and seminars were conducted for around 257 officers by external agencies, covering different areas. In addition, in-house training programmers were conducted in Pune and Mumbai. During 1995-96, around 35 officers were nominated for overseas training programmers organized by universities in the US and Europe. ICICI also introduced a two-year Graduates' Management Training Programmer (GMTP) for officers in the Junior Management grades.

Along with the training to the employees, management also took steps to set right the reward system. To avoid the negative impact of profit center approach, wherein pressure to show profits might affect standards of integrity within an organization, management ensured that rewards were related to group performance and not individual performances. To reward individual star performers, the method of selecting a star performer was made transparent. This made it clear, that there would be closer relationship between performance and reward.

Two types of remuneration were considered – a contract basis which would attract risk-takers and a tenure-based compensation which would be appealing to employees who wanted security. Kamath accepted that ICICI had been a bit slow on completing the employee feedback process.

**Outcome**

Soon, a 360-degree appraisal system was put in place, whereby an individual was assessed by his peers, seniors and subordinates. As a result of the above measures, the employee unrest gradually gave way to a much more relaxed atmosphere within the company.

By 2000, ICICI had emerged as the second largest financial institution in India with assets worth Rs 582 billion. The company had eight subsidiaries providing various financial services and was present in almost all the areas of financial services: medium and long term lending, investment and commercial banking, venture capital financing, consultancy and advisory services, debenture trusteeship and custodial services.

1. What were the major challenges facing Timmer when he took over Philips?
2. Explain what type(s) of resistance stood in the way of change.
3. How would you try to overcome this resistance?
4. What recommendations would you make to Timmer to implement change at Phillips?
Summary

Because of learning new skills, employees face stress and the process is hard to adoption. The changes also brought in a lot of confusion among the employees. Doubts were soon raised regarding whether Kamath can apply to the change successfully. ICICI conduct much training to all the employees. Management took steps to set right the reward system related to performance. And they also applied for two new types of remuneration to give employees more security. I would like to recommend more communication to employee to let them accept the change easily to the successful change.

References


http://www.helpguide.org/mental/work_stress_management.htm


Summary

In this book, we talk about change management in enterprises. At the beginning of it, we provide an overview of change management, such as the definition of change management, why so many enterprises adopt change management, what the process of change management is, and what the principles to apply to change management are.

This book also introduces different theories of change management, classic models in this field, and some influential contemporary models. During the process of change management, employees of different levels play different roles to take their responsibilities. And the leading factors to success in change management include setting up the goal, constructing the plan, developing the communication strategy, helping employees to align themselves to the change, and evaluating the performance of each person. Managers always play the key role in the process of change management. They have to face many unexpected failures and surprises even though the change management succeeds at last. However, even if an organization could deal with the change in organization, how do we know whether it is successful or not? This book also explains the ways to measure and evaluate a change management. The classic evaluation tool, Balanced Scorecard, developed by Robert Kaplan and David Norton (Kaplan & Norton, Linking the Balanced Scorecard to Strategy, 1996) is one of the main focuses in this book. However, no change can avoid facing resistances from human. How to make the change progress go over smoothly is what managers need to think. This book also talks about the force and signs of human resistances, and how to overcome them, such as motivating employees, reducing stress, communicating with staff and so on. Of course, the most important is to understand the signs of acceptance.

Overall, to implement a change in an organization is not an easy issue, which needs the cooperation of different departments from the whole organization. Many details need to be thought over. Many problems need to be solved. Still a number of issues are waiting for research in the future including human resource, finance support, successful organization, correct leading, and right management, as well. We just do the start.