

Fourth Edition

# Exploring Strategic Change

Julia Balogun  
Veronica Hope Hailey  
Stefanie Gustafsson

# Exploring Strategic Change

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To Paul, Guy and Annys  
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## Preface

When we started writing the first edition of *Exploring Strategic Change* in 1994/1995, little did we imagine that we would still be writing the book and publishing the fourth edition in 2015. In many ways, writing this book as we are as economies are starting to emerge from the financial crisis and recession of 2007/2008, and the crisis of confidence in leadership that accompanied this, the messages in this book about change have never been more relevant. The challenge of change remains, but so does the need to find new forms of leadership and new ways of engaging and motivating workforces in a context in which there is a need to rebuild trust and there are greater expectations of workplace democracy.

In this fourth edition we continue to write in a practical and applied fashion that is accessible to both practising managers and students of business, while drawing on best practice from researchers and practitioners. We continue to advocate the need for practitioners of change to develop context-sensitive approaches to change which are tailored to their particular change situations. However, we also say more about the challenges for the leadership of change, highlighting in particular the importance for senior executives leading change of developing robust relationships down through the organisation which engender the trust of others and of working in partnership with middle managers to deliver change.

We also welcome a third author to the team, Dr Stefanie Gustafsson, who has contributed significantly to the development of this fourth edition.

This fourth edition of *Exploring Strategic Change* continues to use examples from both private and public sector organisations to pursue four main themes:

- that the task of management change is context-specific and therefore an understanding of an organisation's change context is essential;
- that analysing the change context allows the change agent to make design choices on the basis of 'best fit' for the organisation;
- that once the change process has been designed the next task is to both design and manage the transition;
- that managing the transition requires certain enabling conditions that need to be put in place by the senior executives leading change through the relationships they build with their employees.

The first half of the book focuses on the design of the change process and the analysis of the change context within an organisation. **Chapters 2 and 3** address the subject of design choices by providing a menu of design options which are discussed within six overall groupings: change paths, change styles, change start-points, change targets, change levers and change roles. These are discussed at this point in the book in order that the reader is aware of the range of choices that are available to a change agent. **Chapter 4** then examines the importance of determining contextual fit when selecting appropriate design choices. Presented in these three chapters is a diagnostic framework, the change kaleidoscope, which helps identify the key contextual features in an organisation. The kaleidoscope features are

time, scope, preservation, diversity, capability, capacity, readiness and power. Not only does analysis of these features allow the reader to make appropriate design choices, it also prevents these features from becoming barriers to change during the transition process itself. **Chapter 4** illustrates how different features impact on different design choices.

The second half of the book examines the transition process in depth. **Chapter 5** explains the role of visioning in change and introduces the idea of different stages of transition: mobilise, move and sustain. It also examines various mechanisms that can be used for each stage of the transition, including some overlooked by other texts such as symbolic mechanisms, and some that have become more popular recently such as storytelling. **Chapters 6 and 7** explore the actual management of the transition process. **Chapter 6** focuses on change leadership and the nature of this role for both senior executives and middle managers, and the competences they require. It also considers the need, post the financial crisis, for senior executives to develop more relational styles of leadership and become trustworthy leaders, working in partnership with middle managers and the HR function to deliver change. These relationships contribute to an enabling context that facilitates transition. However, **Chapter 7** builds on this to explore the need for enabling conditions to also include a positive organisational climate for change. This is developed through employee engagement, trust in senior executives, employee voice and justice, all of which senior executives need to foster through the way they perform leadership. The development of such enabling conditions requires senior executives to challenge some of their traditional and long-standing assumptions about change, such as change as a leadership/resistance dynamic. **Chapter 8** revisits a theme emphasised throughout the text: namely the need for those leading change to be skilled at both reading the organisational context they are operating in, and being able to reconfigure this context to enable the change processes they wish to put in place.

The website at [www.pearsoned.co.uk/balogun](http://www.pearsoned.co.uk/balogun) provides resource material to aid in lecture and seminar presentation.

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## Exploring strategic change: an introduction

### 1.1 Introduction

For many years now it has been said that the pace of change experienced by organisations and those who work in them is getting greater. Change has become a way of life, in part because organisations are experiencing many different types of change. As industries consolidate, there are increasing numbers of mergers and acquisitions. The pressures on organisations to compete in a more global arena are leading to the need for different ways of organising and competing. Rapid technological change is forcing organisations to adopt new technologies and change the way they both work and interface with their suppliers and customers. Meanwhile the political agenda of government is driving more change in the public sector. There has also been a series of management fads over the last two decades such as culture change programmes, total quality management, business process re-engineering and, more recently, employee engagement and business model innovation. In addition, many organisations need to change their strategy just to remain competitive. Yet the sad fact is that the success rate for most of the change programmes launched within organisations is poor. Figures quoted vary, but many commentators put the failure rate at around 70 per cent.<sup>1</sup>

As a result, change management has become a highly sought-after managerial competence. Indeed in mid-2014, the Chartered Institute for Personnel Development in the UK argued that as economies emerged from recession, transformational change and change management skills were once more on organisations' agenda.<sup>2</sup> Furthermore, it is increasingly recognised that implementation skills are required throughout the organisation, in both senior- and middle-management ranks. The argument of this text, therefore, is that the management of strategic change remains a skill that many organisations overlook, yet need to develop, particularly in their most senior executives but also in all levels of management.

The senior manager role in strategic change has two components. Senior managers need to devise strategies that promise strategic fit with the external environment and some form of competitive advantage, while also working internally to bring the organisation in line with that promise. Thus one role component is externally focused and to do with devising strategies that meet the external challenges. This is an exercise primarily

in strategic thinking. The other is internally focused and to do with aligning the organisation behind the intended strategy. This is about strategic acting. For the intended strategies developed in strategic plans by managers to be realised in organisations, senior managers need to have a capability in both components, although the emphasis is often on the former with the assumption that the latter is the responsibility of others. Executives comment that the challenge lies in the execution and delivery of strategy rather than its formulation.<sup>3</sup> *Exploring Strategic Change* takes up this challenge with a focus on the linking of strategic thinking and strategic acting to enable the realisation of intended strategies. Through this focus, this book aims to help managers and students alike to understand more about change management and to extend their competence in this area, by starting at the point where most other strategic texts end – with frameworks that can help managers put their strategic plans into practice.

A key feature of this book is its focus on strategic change, change that results from a shift in strategic direction for an organisation, requiring the implementation of change to processes, practices, systems and potentially even culture to enable the development of new competences and new ways of competing. While there has been a lot written on ‘change management’ in general, there is less written about how senior managers action their strategic agenda, moving from strategic plans they have formulated to the delivery of those plans. The book, therefore, recognises a key debate about the difference between intended strategy (the plan for the organisation) and realised strategy (what the organisation is actually doing), particularly in the context of mature organisations seeking to revitalise their core business areas.<sup>4</sup> Since revitalisation often requires a new form of business delivery, *Exploring Strategic Change* considers how senior teams can be successful in connecting their strategic rhetoric to change in the way that middle and lower levels go about their work. It has a focus on the actual practice of strategic change, both successful and less successful. Hence a distinctive feature of this book is its focus on managerial practice and on understanding the consequences of that practice.

In the wake of the financial crisis of 2008 both private and public sector organisations were faced with particular challenges. First, they were faced with workforces who were both shocked by the collapse of iconic institutions such as banks and more fearful for their futures as a consequence. Used to a period of growth, the reality of austerity and uncertainty bred organisational climates characterised by feelings of betrayal, bewilderment and distrust. Second, the senior managers leading these workforces had to implement negative change programmes. Transformational change was not on the menu. Rather restructurings and downsizings dominated activities as businesses sought to ride out the downturn. New change approaches were necessary and new forms of change leadership emerged. This book also reflects on these challenges.

### 1.2 Structure of the book

There are two main sections to the book. The first section, Chapters 2 to 4, explores the role of context in developing appropriate approaches to change and the need to design context-sensitive change. The focus here is on using a framework, the change kaleidoscope,

to encourage those leading the change to focus on identifying the critical features of their organisation's change context that need to be taken into account when making decisions about the most appropriate change approaches to change to adopt to give their planned changes the highest chance of success. Without a consideration of context, change is set in train without understanding whether the organisation itself is going to enable or disable the efforts to implement strategy. The kaleidoscope provides those leading change with a means of identifying the constraints and enablers in their organisation's context, so that they, as far as possible, put in place initiatives which can overcome the identified constraints yet build on identified enablers.

The second section, Chapters 5 to 7, examines how to turn the chosen change approach into a reality and make change actually happen. It examines key aspects of the change process that change agents need to focus on such as painting a convincing picture of the future state, designing and managing the transition process, and incorporating systemic change across a diverse range of organisational sub-systems. It also considers the role of leadership in the delivery of change. For leaders to be able to take the people in an organisation with them, contains a contemporary challenge. The levels and pace of changes going down through organisations has had an impact on the relationship between senior managers and others within their organisations. Thus we re-conceptualise change to show how it occurs within a dynamic relationship between senior, middle and lower levels of staff, and that this dynamic relationship needs to be developed and maintained by senior executives to create enabling conditions for change. We also pick up on the challenges that middle managers face, and their importance in fulfilling their 'Janus' type role, which involves them looking upwards to senior executives for strategic direction, yet also facing downwards for the purpose of working with the lower levels of the organisation to implement change. Finally we consider the importance of a positive organisational climate that supports enabling conditions for change.

An important theme that underpins both of these sections is the notion of 'reading' and 'reshaping' or 'rewriting' the context. 'Reading' is the systematic analysis of an organisation's context so as to identify potential blocks to the implementation of change, such as managerial capability or readiness for change, but also potential enablers, such as a capacity for change in terms of spare resources to invest in supporting the change effort. The change kaleidoscope is designed to help with this. 'Reshaping' the context is to do with using the analysis in 'reading' to as far as possible put in place initiatives aimed at making the context more receptive to and capable of absorbing change of the required depth and breadth before starting the journey. In other words, early initiatives may be more to do with changing the context itself to overcome the potential blockages, to subsequently enable the desired strategic change to be put in place. However, reading and rewriting the context is also relevant in the second half of the book, which focuses on change leaders developing an understanding of how behaviours and attitudes in the organisation need to change, and using their own behaviours to role model these shifts.

Although *Exploring Strategic Change* is aimed at both business students and practising managers, throughout the book reference is made to the *change agent*. This term is used to refer to the person with responsibility for 'making the change happen' in any organisation. Many different people can fulfil this role. In some organisations it may be the Chief Executive, in others the Human Resources Director, or even a selected team of people, who have responsibility for managing the change process.

This introduction starts by explaining some of the assumptions underpinning this text. Consideration is given to:

- the nature of strategic change and the philosophy behind this text;
- the need to develop a change approach which is suitable for the organisation's specific context;
- the managerial capabilities required by successful change agents;
- the difference between the design of recipe-driven or formulaic approaches to implementation and more context-specific approaches;
- the design and management of the transition state.

The chapter concludes with a flowchart that explains the structure and content of the book.

### 1.3 The nature of strategic change

Questions as to how to achieve organisational change, and in particular larger scale strategic change, have occupied academics and practitioners alike for three decades now. In the 1980s many were already arguing that organisations were facing unprecedented changes in their environments and that, as result, the scale and occurrence of organisational change was increasing considerably beyond that studied by earlier organisation development researchers.<sup>5</sup> As a result, there was a shift in models and theories towards large-scale (organisation wide) interventions and approaches to organisational 'transformation', plus an interest in leadership of change since this was felt to be a significant factor in its success.<sup>6</sup> This research also led to an interest in other aspects that are now almost hegemonic practices in the development of large-scale change interventions, such as the development of compelling visions, plans to close the gap between current and desired end states, and a transformation process which includes education, communication and feedback mechanisms implemented at all levels of an organisation. Many of these we discuss in the second section of the book.

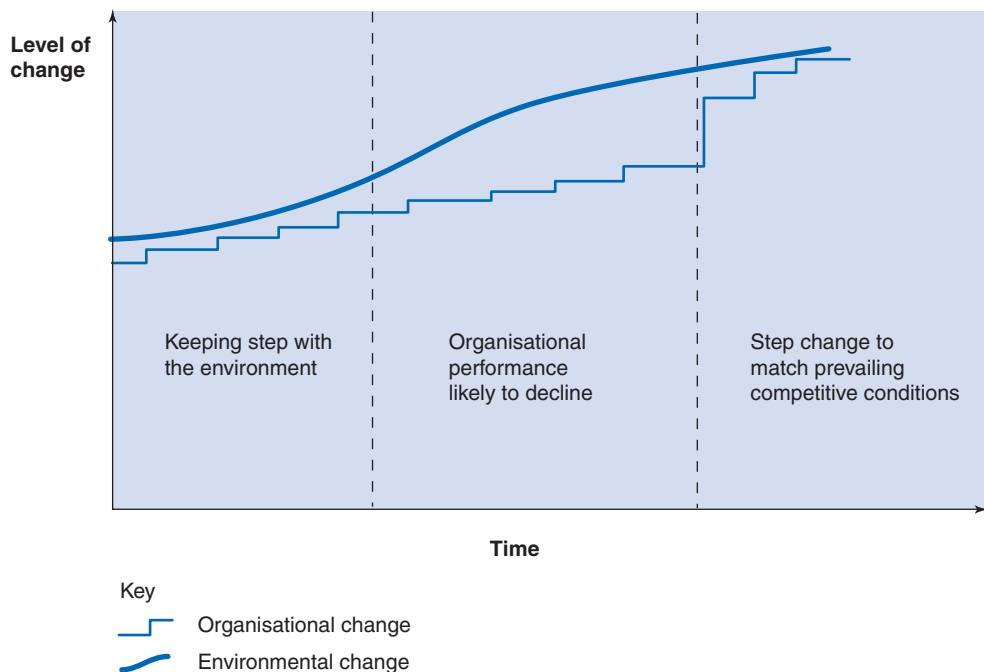
Strategic or transformational change is defined as 'descriptive of magnitude in alteration in, for example, the culture, strategy, and structure of the firm, recognising the second order effects, or multiple consequences of any such change'.<sup>7</sup> It typically involves a redefinition of mission and purpose, and a substantial shift in goals, to reflect a new direction in response to environmental threats. As such it is accompanied by significant changes in patterns of resource allocations, organisation structures and processes.<sup>8</sup> Most definitions of strategic change recognise it as being of sufficient depth to require a shift in the central assumptions and beliefs that the members of an organisation hold about the organisation, the nature of its environment and the competition and how it competes. It encompasses a fundamental shift in the business model of the organisation, touching all cultural and structural aspects of the organisation. As divergent change it is distinct from convergent change, which is to do with fine-tuning the existing way of operating within organisations.<sup>9</sup> We will spend some time considering the differences between transformational change and more incremental convergent change in Chapter 2, as these differences are fundamental to choices made about how to implement change.

Given the scope and depth of strategic change, for private and public sector organisations alike, the desire for what is more typically referred to as ‘transformational change’ often outweighs their ability to achieve it in practice. Research exploring strategy change has often focused attention on the gap that frequently arises between the formulation and implementation of strategy. Generally, there has been a questioning of the managerial assumption that strategy interventions (such as corporate planning) will achieve a change in intended strategy and that this will result in a change in the strategy an organisation is actually pursuing. There is recognition that strategic change requires changes beyond structures and systems to the patterns of behaviours and interactions within an organisation.<sup>10</sup> Furthermore, many now classic studies reveal the inertia to change that results from existing organisational cultures and power dependencies, how different understandings of change proliferate, unexpected outcomes become the norm and planned processes of change become more incremental as different groups seek to protect their interests.<sup>11</sup>

However, there are, of course, high-profile and widely documented case studies that would suggest that it is feasible for senior executives to deliver strategic change in their organisations – dating from British Airways in the 1980s, through GE under Jack Welch in the 1990s, and more recently cases such as Fiat under Marchionne. Thus there remain many disagreements and debates over the nature of strategic change in the 1990s, 2000s and into the 2010s.

### 1.3.1 Patterns of strategic change

Broadly there are two schools of thought about how change occurs in organisations. The first sees change as continuous, with organisations transforming on an on-going basis to keep pace with their changing environment. The second sees change as a process of punctuated equilibrium (see Figure 1.1).



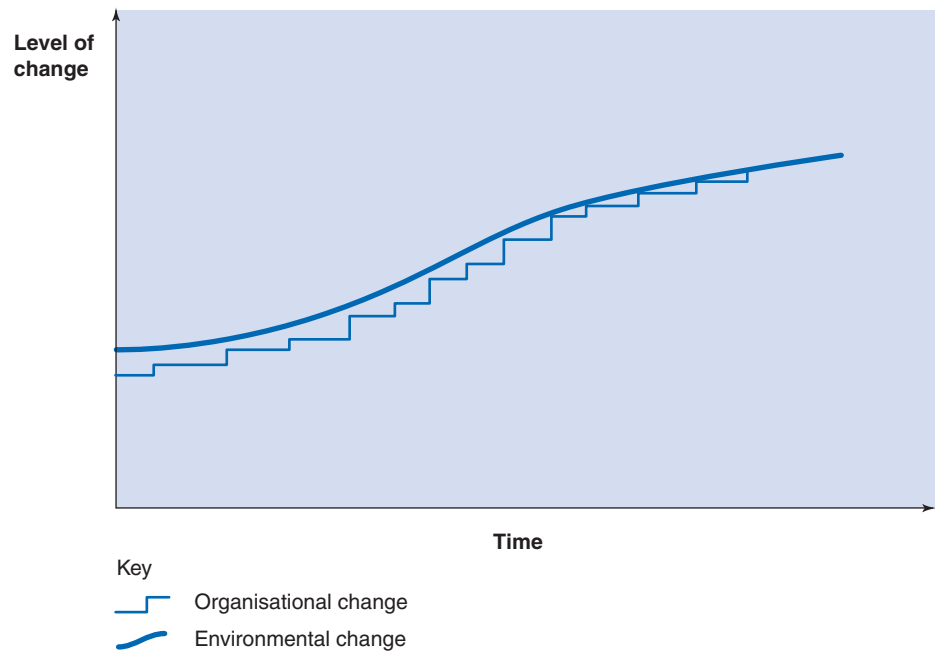
**Figure 1.1** A punctuated equilibrium model of change

Punctuated equilibrium models of change characterised much strategy research in the 1980s and 1990s and continue to shape thinking about strategic change. From this perspective, organisations evolve through relatively long periods of stability (periods of evolutionary and incremental convergent change) that are then interspersed by shorter periods of more fundamental revolutionary change.<sup>12</sup> Convergent change is adaptation within the existing way of doing things – it leads to extension and continuity of the past. However, revolutionary change is transformational change achieved through a simultaneous change in the strategy, structure, systems and culture of an organisation leading to a radically different way of operating. Convergent adaptation through time leads to increasing independence between different organisational domains of activity, such as organisational culture, strategy, structure, power distributions and control systems building considerable inertia for change and strategy lock-in.<sup>13</sup> Once the strategy ceases to work in the face of shifting competitive conditions, radical corrective action is required owing to the considerable levels of inertia that have developed.

Thus revolutionary change is likely to be reactive and forced by an impending crisis. An organisation becomes a victim of its own success as past ways of competing become embedded and taken for granted. A good example of this pattern of change has been seen at the British retailer, Marks and Spencer, over recent years. M&S had a particular way of doing things. It offered customers a selective range of quality merchandise at reasonable prices under the St Michael brand, focusing on classic wearable basics and essentials rather than fashions. It worked with British suppliers to ensure quality control. Specialist buyers operated (on the assumption that they knew what M&S customers wanted) from a central buying office which then allocated goods to stores. Central policies on store layout and management were followed to ensure consistency of image and standards. As the stores had no changing rooms, M&S provided a no-quibble refund on all items purchased. Credit cards were not accepted – only the M&S store card. This formula worked for years, until changes in the retail industry in the 1990s rendered it uncompetitive, forcing change upon M&S from 1998 onwards.<sup>14</sup> In 2015, as this 4th edition of *Exploring Strategic Change* is being written, M&S under Marc Bolland is still struggling to find a return to its former more successful days, although there have been several points in the last 10 years where it does appear to have achieved success once again. It would seem that another great British retailer, Tesco, has similarly become a captive of its past and it is now struggling to reinvent itself.

Yet there are questions about the feasibility of delivering strategic change in a revolutionary, rapid and all-at-once fashion consistent with the punctuated equilibrium models of change. Thus proponents of the more continuous models of change argue that it is possible to transform an organisation incrementally through time, leading to the same outcome as revolutionary change, but in a less dramatic fashion.<sup>15</sup> Indeed, until recently, Tesco was often held up as an example of such an organisation. Models of continuous change argue for a higher and more consistent level of on-going change (see Figure 1.2).

Models of continuous change often switch the focus from organisations as largely stable, punctuated occasionally by change, to a focus to the on-going actions and interactions that occur as part of everyday organisational life gradually altering what an organisation does over time.<sup>16</sup> Models of continuous change also point to the role of emergent change. Change is conceptualised more as a continuous process of accommodations and adaptations that produce change without any necessarily ‘a priori’ intentions to do so. It is therefore conceptualised as a constant and iterative process. Change can also arise bottom-up as



**Figure 1.2** A continuous model of change

members of an organisation put forward strategic initiatives to senior managers, and the senior managers decide which they will support. However, owing to its incremental nature, emergent change may be slower and its outcomes small scale in the short term. It may, therefore, be an unsuitable approach for responding to major competitive threats or significant downturns, as well as providing little assurance for external stakeholders in the case of on-going performance decline, merger and acquisition or privatisation. Some suggest that emergent change in general is suited to a more operational level rather than strategic change and that, since it is more diffuse, it is less likely to deliver a transformational shift.<sup>17</sup>

Attempts to reconcile the two models talk of 'episodic shocks'<sup>18</sup> inserted into continuously evolving organisations, or allow for both convergent and divergent change to occur through continuous or episodic means.<sup>19</sup> Some differences may be attributable to context. Thus others have suggested that more incremental patterns of change identified in, for example, not-for-profit organisations, might be a function of the highly political nature of these organisations.<sup>20</sup> It might be that when organisations undergoing the need for change are private sector, the performance imperative forces them into a more rapid and punctuated equilibrium type of change, whereas not-for-profit organisations do not suffer from the same imperative, and have other contextual factors influencing the way change occurs.

In reality, there is little empirical evidence to support either view over the other. It seems that both these models of change are suitable, but apply to different types of organisations, and maybe different stages of an organisation's life-cycle.<sup>21</sup> More continuous change models may be appropriate for organisations operating in industries where the pace of change in the competitive environment and new technologies is rapid, such as



hi-tech industries, where constant organisational change is necessary for survival. However, it is still not clear what form continuous transformation takes. Some argue for strategic renewal enabled through a strategic organisational context that allows for the championing of bottom-up initiatives that currently sit outside an organisation's strategic core. Others argue that semi-structures, links in time and sequenced steps within particular organisational processes, such as NPD (new product development), enable incremental and on-going continuous change by providing the structure for the planning of change, yet not the rigidity to prevent that change from then happening. Others argue for the creation of ambidextrous organisations capable of simultaneous exploitation and exploration.<sup>22</sup> Punctuated equilibrium models are more likely to apply to industries where changes to the competitive conditions occur less frequently and it is possible to remain competitive for a period of time without making any significant changes to the way an organisation operates.

Yet if we leave aside the debate on how strategic change occurs, and whether evolutionary and continuous models of change, or punctuated equilibrium models, more accurately capture how organisations undergo change and long-term adaptation, there is ample evidence that successful organisations breed their own downfall through building inertia and rigidity into their systems, processes and people as they configure themselves to deliver only against a recipe that has delivered success in the past.<sup>23</sup> Despite arguments about the validity of punctuated equilibrium models of change versus more continuous models of change, evidence from the private sector where it is possible to measure 'performance' through financial measures suggests that there are few organisations that do manage continuously to evolve to maintain levels of competitiveness over long periods of time.<sup>24</sup> Some famous organisations, such as ITT, a vast diversified conglomerate which was celebrated in its heyday for much managerial innovation, never recovered and have disappeared from the landscape, whereas others, such as IBM and the British retailer Marks & Spencer, have managed to effect some level of change and have survived to tell the tale. Yet this pattern can also occur in high-tech industries. Intel Corporation, the microprocessor manufacturer, was in the position at the end of the 1990s where it had been configured to ensure exploitation of Intel's opportunities in the PC market to such an extent, that the internal corporate venturing that had enabled more continuous strategic renewal over the previous 20 years, had been driven out.<sup>25</sup>

### 1.3.2 Organisations and strategic change

The position of this book is that, leaving aside the debate captured above, many organisations are forced to change reactively as their performance declines, maybe owing to unexpected changes in their competitive environment, and face the need to implement strategic change to address their lack of competitiveness. A key concept is that of 'strategic drift'.<sup>26</sup> This term captures the notion that even as senior managers continue to exploit the capabilities and sources of performance and advantage that have delivered success for their organisation in the past, they will engage in some level of change. The problem is that these changes are likely to be only incremental in nature, investing time and resources in initiatives that provide some level of response to competitive challenges in the market place, yet are still consistent with existing strategic priorities. As a result, over time these changes are not adequate for the organisation to keep in step with changes in its competitive environment. The result is 'strategic drift', a gap between what the organisation is doing and what it

needs to be doing to be competitive in its market place (see Figure 1.1). As the gap widens, performance starts to decline consistent with punctuated equilibrium models of change.

In some organisations executives notice the drift and act to proactively address it. In Chapter 4 (see Illustration 4.2), we discuss how Unilever addressed issues of a lack of competitiveness in time to be able to respond proactively with the Sustainable Living Plan. This business plan was announced in 2010, under the leadership of CEO Paul Polman, and sought to fundamentally change the way business is done in Unilever, by fully integrating sustainability into the organisation's business model and making it the driver for organisational growth, innovation and profitability. It was a response to a sharp decline in profits between 2008 and 2009. However, in other organisations, as we explain above, the inertia and rigidity in their systems, processes and people leave their executives either in the situation where they do not notice that they are not changing rapidly enough, or in a situation where they are unable to respond in a relatively timely manner to changing competitive conditions. If there is then a radical shift in competitive conditions, such organisations are likely to exhibit a significant fall in profitability. This was the situation facing Tesco come mid-2014 when Dave Lewis from Unilever was appointed to replace CEO Philip Clarke following a second profit warning. Additionally other changes may happen that force change in a top-down way on organisations, such as mergers and acquisitions. This is true of public sector organisations as much as private sector, even though there may less pressure driving change from a financial performance perspective.

This book is, therefore, most concerned with organisations undertaking a step change, either in a proactive manner in recognition of the need for pre-emptive change given potential threats that may arise in the future or are currently arising, or in a reactive manner in response to an immediate need, such as a new direct competitive threat or increasing under performance as drift sets in. The focus is on intentional, planned change: change circumstances in which the leaders of an organisation (or maybe even a division or a department) have examined their strategic position and deliberately formulated a new strategy which requires the organisation, and the people within it, to operate differently in some way. This could be, for example, a decision to enter a new market with existing products, requiring minimal changes within the organisation. Alternatively, it could involve a radical shift in strategy, and therefore the structures, systems and culture of the organisation, as at Unilever, or as in other examples we include in this book, such as Deutsche Telekom (see Chapter 2, Illustration 2.5), Santander (see Chapter 3, Illustration 3.7), EveryChild (see Chapter 3, Illustrations 3.9 and 3.12) or Statoil (see Chapter 4, Illustration 4.7 and Chapter 5, Illustration 5.9).

Our position as the authors of this book is that despite the rhetoric frequently heard today about the need for organisations to be more flexible, and to be capable of reinventing themselves through on-going continuous and emergent change, there are still many organisations, who for a variety of reasons, find themselves in the situation where they need to undertake a step change in their strategy, as in 2014 it was argued that Tesco certainly needed to, and as Unilever needed to do in 2010. The authors frequently encounter such organisations in the course of their work. However, such step change does not have to occur in a revolutionary manner. It can take many different forms. Indeed, the skill of change agency lies in having the competence to assess where an organisation is strategically, and the nature of the strategic change design required. As we will go on to discuss in the following chapters, proactive and reactive change often require very different approaches. Furthermore, this does not mean that more continuous models of change

are not viable. Indeed, the incremental change processes advocated by some continuous models of change can occur on a planned basis. The end goal of a planned change process may also be to create a more flexible 'learning organisation' capable of on-going adaptation and self-reinvention.

In addition, change is an on-going process. In today's more dynamic competitive environment, no organisation can stand still. As this introduction has already stressed, change cannot be reduced to prescriptive recipes and neat linear processes. The content of change (what is actually changed), and the process or the way change is implemented, needs to be determined by the context of change – both the internal organisational context, which includes the culture, capabilities, resources and politics of an organisation, and the broader external competitive context.<sup>27</sup> The changes made will in turn alter the context, leading to a different set of change needs (see Figure 1.3).

Finally, as stressed at the beginning of this introduction, it is not 'organisations' that change, but people. For an organisation to change, the people within it must change. Of course buildings, technology and products can all be changed, but if an organisation is to really change, then the people within that organisation also need to change the way they behave. This makes managing and achieving change a challenging undertaking for any manager. One extension of this line of argument is that the nature of organisations and organisational change is so complex, that it is virtually impossible to manage change. While this book acknowledges that people are unpredictable and can react to change in many different ways, it also argues that the process of change can be facilitated if not controlled. The management of change is a competence that can be developed by practitioners, as well as being an exciting area for research. *Exploring Strategic Change* adds some new concepts to the broad range of academic literature on the management of change yet also aims to give practitioners practical advice they can implement within their workplace.

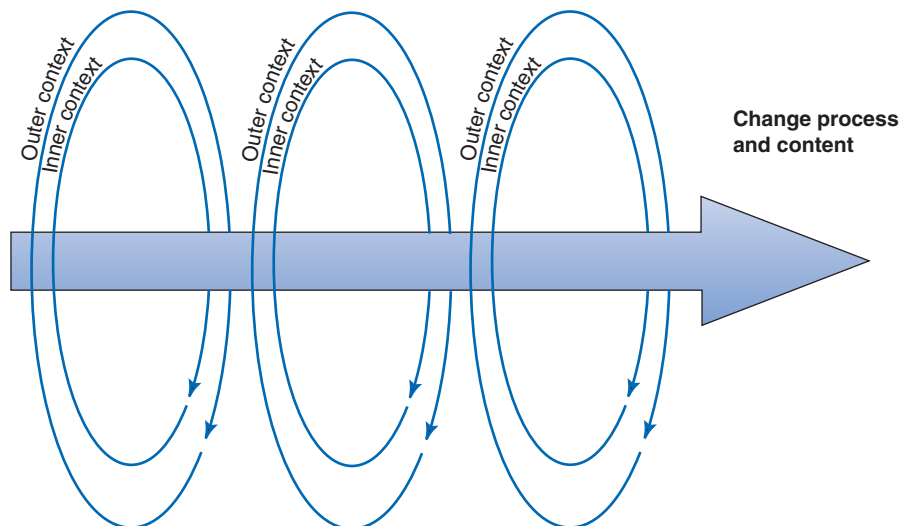


Figure 1.3 Change as a process through time

## 1.4 Context-specific change

This book, unlike other texts, does not advocate ‘one best way to change’. Change needs to be *context-specific*. In other words, the design and management of any change process should be dependent on the specific situation or context of each organisation. It is dangerous to apply change formulae that worked in one context directly into another. Description should not be turned into prescription. All too often the lessons obtained from a few case studies of organisational change by researchers, consultants or practitioners, are turned into best practice. Cases can be very important for illustrating what is possible. However, a limited number of cases, particularly when repeatedly cited, may imply that the formula that works for these organisations is generally applicable when this is not the case. This is particularly true when the cases represent certain contexts, such as companies starting afresh at greenfield sites, or high-technology companies.

An alternative is to develop a contingency approach in which different contextual configurations are associated with a particular set of change design choices. Again, this is something this book avoids. To be feasible, such an approach typically requires a focus on a limited set of implementation options and a restricted range of contextual features.<sup>28</sup> For change agents this means that instead of identifying ‘best practice’ solutions or ‘recipes’, they need to start looking for ‘best questions’. Even exhortations from ‘best practice’ models that sound like common sense, for example, ‘you must get senior management support before attempting to manage change’, may not be generally applicable. If the senior management are themselves major blocks to the implementation of change, the change agent may need to start with some other intervention and hope to gain senior support later on in the change process. Yet how can this be determined without analysing the context of each organisation? This book argues, therefore, that the internal and external context of the organisation should be examined as the starting point to determine the appropriate change process. Change agents should not automatically refer to best practice solutions or contingency approaches without understanding the applicability of these models to their context and what is feasible and what isn’t. However, understanding an organisation’s change context requires the change agent to develop certain managerial and personal skills. These are discussed next.

## 1.5 Managerial capabilities for change agents

We have stressed in the introduction to this chapter that we are focusing on the capability of change agents to align an organisation behind a new intended strategy, which is to do with strategic acting. For change agents to be effective at strategic acting, they need to develop their *analytical and judgemental* skills, but also skills in *translation* and *implementation*. All four of these are important. These skills are central to reading and shaping contexts to support change. Without analysis the temptation is to draw upon ready-made change recipes; without judgement, after contextual analysis, change agents can miss the most critical aspect of the change context; without translation great ideas may never be converted into

meaningful change activities, and without *implementation action*, the process can remain a planning exercise which never tackles the reality of change within the organisation.

Therefore, change agents need to possess *analytical* abilities, rather than to know the '10 best ways to run a change programme'. They need to be able to dig deep into an organisation, to understand its culture and the motivations of its staff, to develop a full and holistic picture of the change context of the organisation concerned. This is discussed in Chapter 4. However, equally, the practitioner needs to be wary of 'paralysis by analysis'. It is easy to become overwhelmed by a detailed analysis.

An additional skill is being able to *judge* which features of the change context are the most critical. To give a medical analogy, a doctor giving a patient an examination following an accident might reveal that the patient has cracked ribs, but also lymphatic cancer. The ribs can be treated immediately, but clearly the most critical condition, requiring longer-term and more intensive care, is the cancer. Similarly, the change agent has to prioritise or weight the organisational features s/he uncovers in terms of how critical they are to the change process. The key skill for a change agent is to be able to recognise what is critical in the particular change context, and design a change process that addresses it. This is referred to as *change judgement*.

Change agents also need to be able to *translate* strategic vocabularies and concepts into action that is practical and meaningful in a particular organisation. This involves moving between concepts and vocabularies associated with the formulation of strategy and the alternative and often apparently disconnected concepts and vocabularies of change implementation. Strategy has its own language separate from the language that governs the world of change, to do with concepts such as competitive advantage, value chains and resources and capabilities. So how do executives translate this strategy jargon into something meaningful in terms of the organisation, and how it structures itself and how it works? How do you translate this language into a locally relevant change agenda, beyond changes to structures, roles, responsibilities and systems? A new capability in innovation, for example, cannot be developed by just creating a job role with innovation in the title (although this often seems like a tempting solution for executives), if the organisation did not previously have a capability in innovation. It is not possible to bring an organisational change agenda into an organisation unless the people leading it fully appreciate the ramifications of these changes. If they do not appreciate the extent of change required in the existing realised strategy by a new intended strategy, what they do to implement it will be too narrow to deliver the scale of change required.

Finally, a change agent needs to develop the ability to manage the *implementation* of change, to take *action*. Management is practice not just analysis – it is about making things happen. Two key aspects of implementation that have to be addressed are which interventions to make in a change situation, and in what order to apply them. The change agent may recognise that a reward system must be changed within an organisation along with changes to production systems and job roles and responsibilities. Yet to avoid confusing the employees with too many simultaneous change initiatives, the agent has to decide which initiative should be carried out first and which one can wait until later. Choosing and sequencing change interventions and building an organisation climate that supports change are discussed in Chapters 5–7 of this book. Part of this may involve a series of initial interventions to read, reshape and rewrite the context in a way that facilitates the required changes.

## 1.6 The transition state: designing context-sensitive approaches to change

There are many different ways of conceiving of the overall change process. However, it is commonly accepted that during change it is necessary to consider three states – the current, the future and the transition<sup>29</sup> (see Figure 1.4).

Essential inputs to the diagnosis of the current organisational state are an understanding of the organisation's competitive position and the need for change, and an understanding of the internal organisational context. It is also necessary to develop some sort of vision of the desired future organisational state. The transition state, the process of changing the organisation from what it is now into the desired future organisation, can only be designed once the current organisational state is understood, and the desired future organisational state has been specified, at least in outline. Since this book assumes that readers already have an understanding of how to diagnose the current organisational state, and how to develop an outline of the desired future state from text books on formulating strategy, the main concern here is the transition state.

The transition state, the process of actually making the desired changes happen, often receives less attention than it merits. Implementation is conceived of in terms of the up-front planning for change, with scant attention to managing the transition process itself. Yet the transition state is not like either the current or future states. It is not possible to move from the current to the future state overnight. It might be possible to redeploy and relocate people in terms of named job roles and locations over a weekend, but to change the behaviour of those people, and particularly to change the organisation's shared beliefs, will take much longer. Specific attention is required to both the design and management of the transition state.

Typically lengthy consideration is given to the why and what of strategy development. The internal and external *context* of the organisation is analysed in order to gain an understanding of *why* change is necessary and the current state. In addition, the strategists decide on the *content* of change – *what* actually has to change and the nature of the future state. However, what many change agents do at this stage (see Figure 1.5) is to turn to a number of existing change solutions. They then derive the design of the change process from these predetermined change formulae often, unfortunately, selecting a solution that is not appropriate to the current organisation's change context, although it might suit their personal preferences. This is not to denigrate the value of past experience or previous learning. However, the past must also be analysed with reference to the current context. A change agent needs

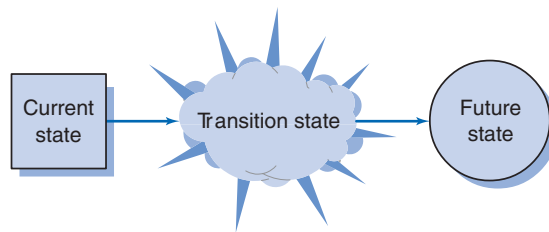


Figure 1.4 Change as three states

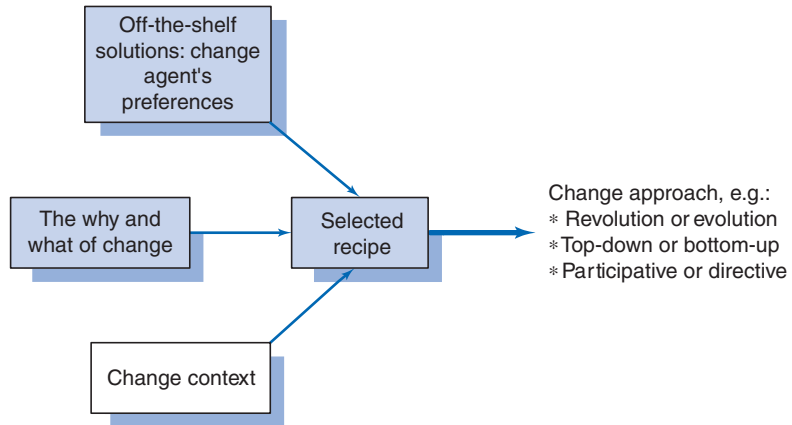


Figure 1.5 A formulaic approach to change design

to ask themselves questions such as ‘Why did that work well for that organisation at that point in time?’, ‘What are the differences between that organisation’s context then, and this organisation now?’ and ‘How might that affect the approach to change?’

A context-sensitive approach to change sees the stages in the design process as shown in Figure 1.6 and requires a change agent to draw on their *analytical* and *judgemental* skills. As above, the *why* and *what* of change is analysed. The change agent then carries out an *analysis* of the *change context*, which examines the organisational features pertinent to the change situation. These include aspects such as the scope of change required, the time frame, the power of the change agent to effect change, the diversity within the workforce and the capability for change within the organisation.

Using the contextual analysis, the change agent *judges* which are the most *critical* features of the current change situation. For example, in some organisations the existence of strong professional groups may create diversity among the workforce. Professionals, such as hospital consultants, will often identify more readily with the values and aims of their professional association rather than with their employing organisation. It would be difficult to design a successful change process within a hospital without taking this into account.

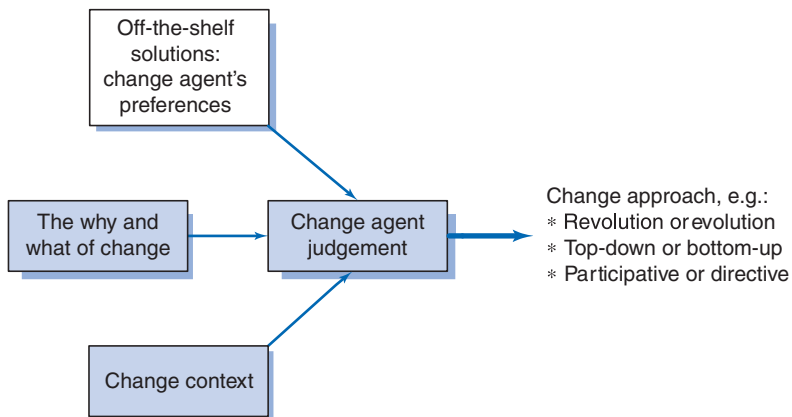


Figure 1.6 A context-sensitive approach to change design

## 1.6 The transition state: designing context-sensitive approaches to change

In organisations which employ few professionals this feature may not be so critical. Finally the change agent considers the appropriate *design choices*. Information derived from the contextual analysis will start to make some design options seem unworkable and others either possible or essential. For instance, if the organisation has only a small amount of money to invest in change, some of the more expensive, educative styles of change, using expensive management development options, may not be feasible.

This text uses a diagnostic framework, the *change kaleidoscope*, shown in Figure 1.7, to help with this process. The kaleidoscope contains an outer ring concerned with the organisational strategic context, a middle ring concerned with the features of the change context and an inner ring which contains the menu of design choices open to change agents.

- The *organisational strategic change context* refers to the broader strategic analysis conducted to determine why the organisation should change and what it should change to. This analysis is typically the focus of texts on developing strategy.
- The *change contextual features* are aspects of the organisation to do with its culture, competences and current situation, which change agents should consider before selecting the change approach. These features can be extracted from the broader organisational strategic context, and can be used by change agents to help determine the appropriateness of any change approach for a particular context. It is these features that are examined as part of the contextual analysis and they are explored in depth in Chapter 4.

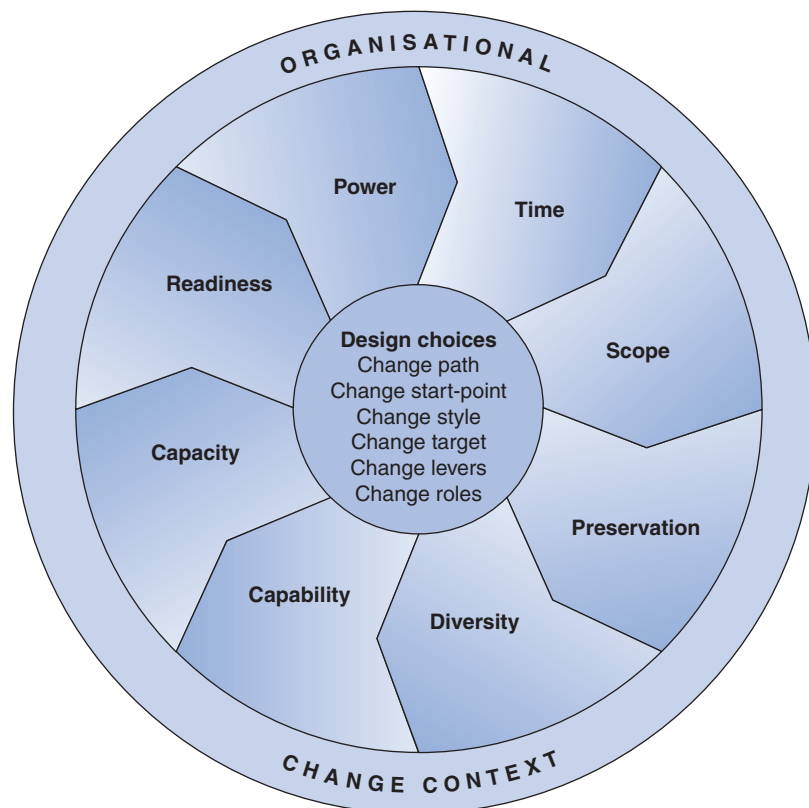


Figure 1.7 The change kaleidoscope



- The *design choices* are the range of options a change agent needs to choose from when selecting an appropriate change approach. For example, what type of change path is best here? Is it necessary to do something radical and fast? Or would it be more effective in the long term if it were a staged change process, planned over time? Where should the change start-point be? Should the change be organised so that it cascades down from the senior management, or would it be better if it was piloted on the edges of the organisation first? This range of choices is explored in detail in Chapters 2 and 3.

As explained above, the contextual features in the change kaleidoscope do not carry equal weight in all organisations – some will be more important than others in different organisational change contexts. This is why the diagnostic framework is called a kaleidoscope as its configurations of features will constantly shift according to the organisation being analysed. The kaleidoscope for an organisation will also change through time in response to earlier change interventions put in place. It is not static. Change judgement involves assessing the relative criticality of the different aspects of an organisation's content and deciding how these should influence the design choices.

## 1.7 The transition state: design and management

Once the change agent has selected a change approach, this is not the end of the story. The change agent now has to design the change interventions or levers that will deliver the selected approach, and also manage the process of implementation. This is to do with skills of *translation and implementation action*.

The issues that need to be considered in *designing the transition* fall out of the design choices made. For instance, as a result of the design choice phase it may have been decided to focus on changing employee behaviours as a means of achieving change. In order to achieve that behavioural change, the change agent will need to deploy a series of levers and mechanisms, such as new reward systems and training. However, the identification of the primary levers and mechanisms is only the beginning. If the new reward system is to be effective, other things may need to be changed, such as the appraisal mechanism. Existing practices that could obstruct the new required behaviours also need to be identified and removed. As pointed out above, there are also issues about timing. Are new rewards and training to be introduced simultaneously, or are new rewards introduced to reinforce the training? There are also likely to be many other changes which have to be scheduled. All these different interventions need to be sequenced during the transition along with other change interventions such as communication of the need for change, and the form of the changes. Effecting transitions is therefore a complex business.

Chapter 5 addresses this issue. It introduces the idea that transitions have three phases, *mobilise, move and sustain*, and considers the various activities that are necessary to take an organisation through all three phases. It also explains how any organisational change process is underpinned by the personal transitions of individuals within that organisation. However, change occurs in a dynamic set of interactions between senior executives, middle and others in an organisation. The change agents, most often the senior executives in

an organisation, need to exercise leadership in a way that creates an organisation climate which fosters the enabling conditions to build and sustain this dynamic interaction. We discuss this in Chapters 6 and 7 of the book.

## 1.8 Putting the jigsaw together – a change flow chart

For change to be successful, managers charged with the responsibility of managing this activity need to address the complexities of both context and process. However, the very complexity can be off-putting. Figure 1.8 presents a flow chart of the steps this text is advocating to inject some clarity into the process. It shows which questions have to be addressed at different stages of the change process.

Stages 1 and 2 are not addressed in this text, although this text will revisit the development of the desired current and future states in more detail in Chapter 5. Stage 3, analysing the change context and identifying the critical change features, are presented via a fuller account of the *change kaleidoscope* in Chapter 4. Stage 4, determining the design choices, follows on from stage 3, but this text discusses the design choices in Chapters 2 and 3, before the contextual features are described, since it is easier to appreciate how the contextual features impact on the design choices once the range of design choices is understood. Chapter 5 considers stage 5, the design of the transition, by exploring the different stages of transition, the use of different change levers and mechanisms and the overriding importance of appropriate communication at all stages. Chapters 6 and 7 consider stage 6, managing the transition. These chapters explore the nature of leadership required during a transition and the importance of leaders adopting a more relational style of leadership, which engages middle managers, encourages employee voice and builds employee engagement and trust.

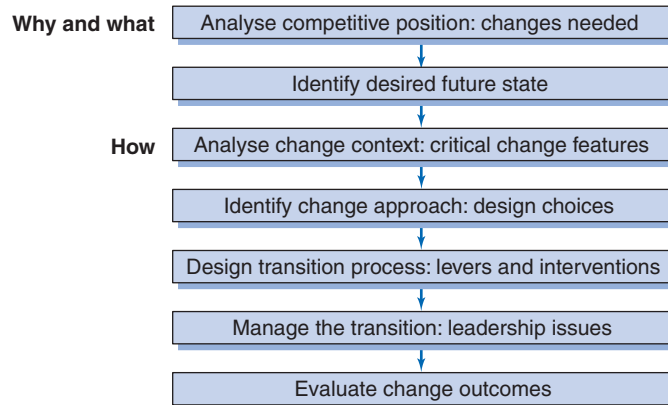


Figure 1.8 The change flow chart

## Summary

This opening chapter has established the links that exist between the formulation of strategy and its implementation. It has also introduced the role of the *change agent*. In particular the chapter has introduced several central concepts that underpin the philosophy of the whole book.

- There is an on-going and enduring need for senior executives to develop a competence in managing planned change, and particularly strategic change.
- The role of senior executives in strategic change has two components: strategic thinking to do with formulation and strategic acting to do with aligning the organisation behind the intended strategy. This book is concerned with the second, typically underplayed component, and how executives can develop a competence in this.
- All change design must be context-specific, which requires change agents to possess managerial skills of analysis, judgement, translation and implementation.
- Transition is a stage in change which demands that attention is given to both its design and management
- A general change flow chart identifies different decision-making points in the strategic change process and sets out the overall way this text recommends a change agent should approach the management of strategic change.

These central concepts underpin the rest of the chapters of the book. *Exploring Strategic Change* aims to provide an intelligent guide to managing change in today's complex organisational environments. We hope that readers will gain worthwhile insight into the challenging subject of change.

## Notes

- 1 See Beer, M. and Nohria, N. (2000) 'Cracking the code of change', *Harvard Business Review*, (May–June), pp. 133–141. Also Nag, R., Corley, K. and Gioia, D. (2007) 'The intersection of organizational identity, knowledge and practice: attempting strategic change via knowledge grafting', *Academy of Management Journal*, 50 (4), pp. 821–847.
- 2 See Balogun, J., Hope Hailey, V. and Stewart, R. (2014) *Landing Transformational Change*, London: CIPD.
- 3 See, for example, Löscher, P. (2012) 'How I did it... the CEO of Siemens on using a scandal to drive change', *Harvard Business Review*, (November), pp. 39–42.
- 4 See Mintzberg, H. (1978) 'Patterns in strategy formation', *Management Science*, 24 (9), pp. 934–948. See also Balogun, J. and Floyd, S. (2010) 'Breaking out of strategy vectors: Reintroducing culture', *Research in Organizational Change and Development*, 18, pp. 51–76. Mirabeau, L. and Maguire, S. (2014) 'From autonomous strategic behaviour to emergent strategy', *Strategic Management Journal*, 35 (8), pp. 1202–1229.
- 5 See Nadler, D., Shaw, R. and Walton, A. (1995) *Discontinuous Change: Leading Organizational Transformation*, San Francisco: Jossey-Bass.
- 6 See, for example, Beckhard, R. and Harris, R. (1987) *Organizational Transitions*, 2nd edn, Reading, MA: Addison-Wesley; Kilmann, R. and Colvin, T. (1988) *Corporate Transformation: Revitalizing Organizations for a Competitive World*, San Francisco: Jossey-Bass; Kotter, J. (1996) *Leading Change*, Boston: Harvard Business Press. Nadler, D., Shaw, R. and Walton, A. (1995) *Discontinuous Change: Leading Organizational Transformation*, San Francisco: Jossey-Bass; Tichy, N. (1983) *Managing Strategic*

- Change: Technical, Political and Cultural Dynamics*, San Francisco: Wiley; Tichy, N. and Devanna, M. (1990) *The Transformational Leader*, New York: Wiley.
- 7 Pettigrew, A. (1987) 'Context and action in the transformation of the firm', *Journal of Management Studies*, 24 (6), p. 668.
  - 8 Gioia, D., Thomas, J., Clark, S. and Chittipeddi, K. (1994) 'Symbolism and strategic change in academia: The dynamics of sensemaking and influence', *Organization Science*, 5 (3), pp. 363–383. Also, Cornelissen, J. P., Holt, R. and Zundel, M. (2011) 'The role of analogy and metaphor in the framing and legitimization of strategic change', *Organization Studies*, 32 (12), pp. 1701–1716; Mantere, S., Schildt, H. and Sillince, J. A. A. (2012) 'Reversal of strategic change', *Academy of Management Journal*, 55 (1), pp. 172–196.
  - 9 See Tushman, M. and Romanelli, E. (1985) 'Organizational evolution: A metamorphosis model of convergence and reorientation', in *Research in Organizational Behavior* 7, Cummings, L. and Staw, B. (eds) Greenwich, CT: JAI Press.
  - 10 See Balogun, J. and Floyd, S. (2010) 'Breaking out of strategy vectors: Reintroducing Culture', *Research in Organizational Change and Development*, 18, pp. 51–76.
  - 11 There are numerous studies showing this. See, for example, Balogun, J. and Johnson, G. (2004) 'Organizational restructuring and middle manager sensemaking', *Academy of Management Journal*, 47 (4), pp. 523–549; Balogun, J. and Johnson, G. (2005) 'From intended strategies to unintended outcomes: The impact of change recipient sensemaking', *Organization Studies*, 26 (11), pp. 1573–1601; Barr, P. (1998) 'Adapting to unfamiliar environmental events: A look at the evolution of interpretation and its role in strategic change', *Organization Science*, 9 (6), pp. 644–669; Barr, P. and Huff, A. (1997) 'Seeing isn't believing: Understanding diversity in the timing of strategic response', *Journal of Management Studies*, 34 (3), pp. 337–370; Eisenhardt, 1989; Eisenhardt, K. and Bourgeois, L. (1988) 'Politics of strategic decision making in high-velocity environments: Toward a midrange theory', *Academy of Management Journal*, 31 (4), pp. 737–770; Eisenhardt, K. and Zbaracki, M. (1992) 'Strategic decision making', *Strategic Management Journal*, 13(S2), pp. 17–37; Gioia, D. and Chittipeddi, K. (1991) 'Sensemaking and sensegiving in strategic change initiation', *Strategic Management Journal*, 12 (6), pp. 433–448; Gioia, D., Thomas, J., Clark, S. and Chittipeddi, K. (1994) 'Symbolism and strategic change in academia: The dynamics of sensemaking and influence', *Organization Science*, 5 (3), pp. 363–383; Johnson, G. (1988) 'Rethinking incrementalism', *Strategic Management Journal*, 9 (1), pp. 75–91; Maitlis, S. (2005) 'The social processes of organizational sensemaking', *Academy of Management Journal*, 48 (1), pp. 21–49; Mantere, S., Schildt, H. and Sillince, J. A. A. (2012) 'Reversal of strategic change', *Academy of Management Journal*, 55 (1), pp. 172–196.
  - 12 This model of change is explained in more detail in several articles and books. See Romanelli, E. and Tushman, M. (1994) 'Organizational transformation as punctuated equilibrium: An empirical test', *Academy of Management Journal*, 37 (5), pp. 1141–66; Tushman, M. and Romanelli, E. (1985) 'Organizational evolution: A metamorphosis model of convergence and reorientation' in *Research in Organizational Behavior* 7, Cummings, L. and Staw, B. (eds) Greenwich, CT: JAI Press; Miller, D., Friesen, P. and Mintzberg, H. (1984) *Organizations: A Quantum View*. Englewood Cliffs, NJ: Prentice-Hall.
  - 13 Burgelman, R. A. (2002) 'Strategy as vector and the inertia of coevolutionary lock-in', *Administrative Science Quarterly*, 47 (2), pp. 325–357. See also Johnson, G., Whittington, R., Scholes, K., Angwin, D. and Regné, P. (2013) *Exploring Strategy Text and Cases*, 10th edn, Harlow: Pearson Education.
  - 14 Collier, N. (2002) 'Marks and Spencer' in *Exploring Corporate Strategy*, 6th edn, Johnson, G. and Scholes, K. (eds) Harlow: Pearson Education.
  - 15 See, for example, Brown, S. and Eisenhardt, K. (1997) 'The art of continuous change: Linking Complexity Theory and time-paced evolution in relentlessly shifting organizations', *Administrative Science Quarterly*, 42 (1), pp. 1–34. Feldman, M. S. and Pentland, B. T. (2003) 'Reconceptualizing organizational routines as a source of flexibility and change', *Administrative Science Quarterly*, 48 (1), pp. 94–118.
  - 16 See Tsoukas, H. and Chia, R. (2002) 'On organizational becoming: Rethinking organizational change', *Organization Science*, 13 (5), pp. 567–582. Also, Langley, A. and Denis, J. (2006) 'Neglected dimensions of organizational change: Towards a situated view' in *New Perspectives on Organizational Change and Learning 1*, Lines, R., Stensaker, I. and Langley, A. (eds) Bergen, Norway: Fagbokforlaget.
  - 17 See for example, Biedenbach, T. and Söderholm, A. (2008) 'The challenge of organizing change in hypercompetitive industries: A literature review', *Journal of Change Management*, 8 (2), pp. 123–145.
  - 18 See Langley, A. and Denis, J. (2006) 'Neglected dimensions of organizational change: Towards a situated view' in *New Perspectives on Organizational Change and Learning 1*, Lines, R., Stensaker, I. and Langley, A. (eds) Bergen, Norway: Fagbokforlaget.

- 19 See Plowman, D., Baker, L., Beck, T., Kulkarni, M., Solansky, S. and Travis, D. (2007) 'Radical change accidentally: The emergence and amplification of small change', *Academy of Management Journal*, 50 (3), pp. 515–543.
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- 21 A good review of the competing perspectives can be found in Burnes, B. (2000) *Managing Change: a Strategic Approach to Organisational Dynamics*, 3rd edn, Edinburgh: Pearson Education.
- 22 See Brown, S. and Eisenhardt, K. (1997) 'The art of continuous change: Linking Complexity Theory and time-paced evolution in relentlessly shifting organizations', *Administrative Science Quarterly*, 42 (1), pp. 1–34. See Burgelman, R.A. (1983). 'A process model of internal corporate venturing in the diversified major firm', *Administrative Science Quarterly*, 28 (2), pp. 233–244. Also, O'Reilly, C. A. and Tushman, M. (2004) 'The ambidextrous organization', *Harvard Business Review*, (April), pp. 74–81.
- 23 See Miller, D. (1992) 'The Icarus paradox: How exceptional companies bring about their own downfall', *Business Horizons*, (January–February), pp. 24–35. Also, Balogun, J. and Floyd, S. (2010) 'Breaking out of strategy vectors: Reintroducing culture', *Research in Organizational Change and Development*, 18, pp. 51–76.
- 24 Johnson, G., Yip, G.S. and Hensmans, M. (2012) 'Achieving successful strategic transformation', *MIT Sloan Management Review*, (Spring), pp. 25–32.
- 25 See Burgelman, R.A. (2002) 'Strategy as vector and the inertia of coevolutionary lock-in', *Administrative Science Quarterly*, 47 (2), pp. 325–357.
- 26 See Johnson, G. (1988) 'Rethinking incrementalism', *Strategic Management Journal*, 9 (1), pp. 75–91.
- 27 For a classic text presenting a fuller discussion of a processual view of change see Pettigrew, A. and Whipp, R. (1991) *Managing Change for Competitive Success*, Oxford: Blackwell Publishing.
- 28 For a fuller review of change contingency models and the dangers of applying learning from these models prescriptively, see Hope Hailey, V. and Balogun, J. (2002), 'Devising context sensitive approaches to change: The example of Glaxo Wellcome', *Long Range Planning*, 35 (2), pp. 153–178.
- 29 The concept of change as three states, the present, the future and the transition, was originally advanced by Beckhard, R. and Harris, R. (1987) *Organizational Transitions: Managing Complex Change*, 2nd edn, Reading, MA: Addison-Wesley. These concepts have passed into common change implementation vocabulary.

### WORK ASSIGNMENTS

- 1.1 There are a number of books by renowned senior executives who have managed change in their organisations. Why should these texts be read with caution?
- 1.2 Consider why different approaches to change management might be appropriate in different organisations, such as a university, a high street bank or a multinational enterprise.
- 1.3 Consider a commonly used statement about change such as 'you must get senior management support before attempting to manage change'. How relevant or not may this statement be in the following scenarios?
  - (a) If you were a middle manager attempting to manage change in a small company where an influential CEO is eagerly motivating employees to contribute to change.
  - (b) If you were a middle manager in a hospital where for change to happen the support of doctors and highly specialist consultants might be more important than the support of senior managers (including the hospital's CEO).
- 1.4 Explore your personal perspectives on organisations and how this might influence the way you approach change.
- 1.5 What are the factors that can cause change initiatives to fail in organisations?

## Understanding implementation choices: the change path

### 2.1 Introduction

Chapter 1 introduces the concept of the change kaleidoscope. It shows that a change agent faces a confusing array of implementation decisions – the *design choices* – that need to be made about how change should be implemented within his or her particular context. Chapters 2 and 3 explain these different design choices, and the options within each choice. The design choices from the change kaleidoscope are explained in detail before the contextual features are introduced in Chapter 4, although in practice a change agent would consider issues of context first. This is because it is then simpler to explain the contextual features and how they link to the choices that need to be made once the array of choices are understood.

The change kaleidoscope separates the array of choices that need to be made on any implementation approach into six categories, within which there are a range of alternatives. The six categories are outlined below.

- *Change path*: the type of change to be undertaken in terms of the nature of the change and the desired end result. This category is referred to as *change path* as distinct from *change type*, as in some circumstances it is necessary to undertake an enabling phase of change before it is possible to undertake the actual changes required.
- *Change start-point*: where the change is initiated and developed, which could be summarised simplistically as top-down or bottom-up, but there are other choices.
- *Change style*: the management style of the implementation, such as highly collaborative or more directive.
- *Change target*: the target of the change interventions, in terms of people's attitudes and values, behaviours or outputs.
- *Change levers*: the range of levers and interventions to be deployed across four subsystems – technical, political, cultural and interpersonal.
- *Change roles*: who is to take responsibility for leading and implementing the changes.

This chapter focuses just on the *change path*, since it is the most fundamental of all the choices (see Figure 2.1). In Chapter 1 we point out that change agents need to be able



Figure 2.1 Change kaleidoscope

to link strategic thinking to strategic action by moving between concepts and vocabularies associated with the formulation of strategy and the alternative concepts and vocabularies of change implementation. This leads to questions such as, how do executives know, for example, whether the new strategic intent they are proposing is convergent or divergent and transformational for their organisation? How do executives talking in terms of strategic capabilities, or in terms such as better customer focus, relate this to the existing realised strategy of an organisation and, therefore, the extent of change required of the organisation for their new strategic intent to become a reality? The concept of the change path and different types of change within it are the design choices that enable change agents to think through these questions.

## 2.2 Different types of change

There are four types of change – adaptation, reconstruction, evolution and revolution (see Figure 2.2). The change path focuses on the choices in terms of these types of change, but also the way these different change types can be combined to deliver a more phased approach to change.

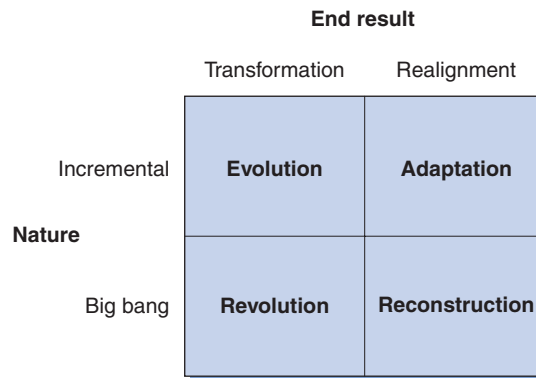


Figure 2.2 Types of change

### 2.2.1 Types of change

The four main types of change illustrated in Figure 2.2 are defined in terms of two dimensions – the *end result of change* and the *nature of change*. These two dimensions provide the explanation for the four different types of change shown in Figure 2.2. Thus before we consider these different types of change we need to define the *end result of change* and the *nature of change*.

### 2.2.2 End result of change

The *end result* is about the extent of change desired and is more complicated to assess. Change can involve a *transformation* of the organisation or a *re-alignment* (see Figure 2.3). *Transformation* has been defined in Chapter 1 as to do with a redefinition of mission and purpose, and a substantial shift in goals, to reflect a new direction and therefore encompassing a fundamental shift in the business model of the organisation, touching all cultural, structural and processual aspects. As such it entails a change in the taken-for-granted assumptions held about an organisation, its environment and how it competes, and to ‘the way of doing things around here’. In other words, it changes the ways of both thinking and acting. As divergent change it is distinct from convergent change which is to do with fine-tuning the existing way of operating within organisations.

		End result	
		Transformation	Realignment
		‘A redefinition of mission and purpose, and a substantial shift in goals, to reflect a new direction and therefore encompassing a fundamental shift in the business model of the organisation, touching all cultural, structural and processual aspects.’	‘A change to the way of doing things that does not involve a fundamental re-appraisal of the central assumptions and beliefs within the organisation, although it may still involve substantial change like a major restructuring.’

Figure 2.3 Transformation versus realignment



Over recent years, many multinationals in Europe have undertaken transformational change. They have moved from an operating model in which the business units based in individual countries act as autonomous baronies and fiefdoms, with their primary focus on doing what is best for their local market irrespective of the impact of other business units across Europe, to a pan-European way of operating. In this new operating model country heads, marketing teams, NPD (new product development) and manufacturing all have to work more collaboratively across country boundaries to exploit growing similarities and develop strategies and plans that are about maximising performance across Europe, rather than competitively with a ‘not invented here’ mindset and much reinvention of the wheel designed to exploit (declining) local differences. As is so often the case with transformations, the new structures put in place to deliver this shift hide what in reality is a change to the shared assumptions and beliefs.

More recently, financial service institutions have found themselves in a situation where fundamental change is necessary. For example, having lost the trust of their customers and clients as a result of the economic events of the last five years, Barclays, the British multinational banking and financial services company, has been attempting a transformation in which the required shift in ways of thinking as well as ways of doing has been very explicit. After scandals, such as allocations of tax avoidance and involvement in the fixing of Libor rates, Barclays’ CEO Antony Jenkins initiated a fundamental change in 2013 in ways of doing business and a new strategy in which Barclays longer term was to become the ‘Go-To’ bank for its customers. He launched the ‘Barclays Way’ as a fundamental part of these changes. Barclays had been an institution that had strongly relied on its investment-banking branch lacking a common purpose beyond profitability and performance. An independent review of Barclays’ culture and business practices in 2012 revealed a culture that was dominated by pay, compensation and entitlement. The ‘Barclays Way’ sought to introduce practices more to do with ‘Helping people achieve their ambitions – in the right way’ and it is guided by five values: respect, integrity, service, excellence and stewardship. Antony Jenkins was clear when introducing the ‘Barclays Way’ to his staff – if you do not agree with these changes and live by them, Barclays is not the place for you any more.<sup>1</sup>

However, transformation is not solely the preserve of large international organisations. In the UK, Southend-on-Sea Borough Council (SBC), a provider of local community services, was found by Rob Tinlin, its new CEO, to need to undertake a transformation to deliver a step-change in the way it operated. SBC was characterised by low efficiency and cynicism with a lack of communication between senior management and people further down the line. People were working in silos and there was a lack of cross-departmental collaboration. Work was organised in local fiefdoms. Decision-making was centralised at the senior level and a siege mentality dominated the organisation. To change, the organisation needed to become more innovative and flexible, and work collaboratively while sharing responsibility. Change had to be organisation-wide. The CEO initiated the ‘Inspiring Programme’ as a central component of the change programme which included cultural workshops and coaching. He instigated change in HR to shift it from a ‘policing function’ into one more supportive and capable of supporting the change process. Tinlin also had to put in place a reduction in management layers and replace many of his management team, as well as restructuring the office space to support the culture change process.<sup>2</sup>

*Realignment* is a change to the way of doing things that does not involve a fundamental re-appraisal of the central assumptions and beliefs within the organisation, although it

may still involve substantial change like a major restructuring. It is a form of convergent change that does not offer significant challenge to the existing way of operating within organisations since it involves adjustments to systems, processes and structures that build on the current business mode. Amey, the UK-based infrastructure business, has recently undergone a realignment. In 2009 the organisation had reached a point where it needed to change in order to maintain its efficiency and effectiveness in the market, particularly as its structure had become ‘overweight’. A new group HR director identified a highly fragmented organisational structure with too many job titles and management layers as one of the concerns. In 2010 Amey launched the ‘Efficient and Effective Programme’ to help the organisation evolve into a more competitive operation. This resulted in a cut in the 4,000 different job titles to 450, a reduction in management layers from 15 to 7 and a consistent career framework across the organisation. It also involved the launch of improved Human Resources services for employees and the Amey Academy to improve learning and development opportunities for managers. This latter initiative was intended to deliver longer-term change in managerial capabilities at Amey.<sup>3</sup>

Air-France KLM provides another larger-scale example of a realignment, although named by the company as a transformation. In 2012, following the negative impact of the global financial crisis in 2008–2009 on the airline industry, and downturns in its domestic and some foreign markets, the airline needed to regain competitiveness and return to sustainable growth. To do so it introduced the ‘Transform 2015’ programme. This was a three-year restructuring programme with two phases. Phase one involved a 10 per cent reduction in unit costs, restructuring of medium-haul operations and reducing debt, in order to restore profitability. This included measures such as freezing wages, reducing staff numbers through a hiring freeze and new working conditions involving longer hours. The second phase involved more structural changes with a new structure based on eight business units. There was also a move to stronger focus on on-line sales.<sup>4</sup>

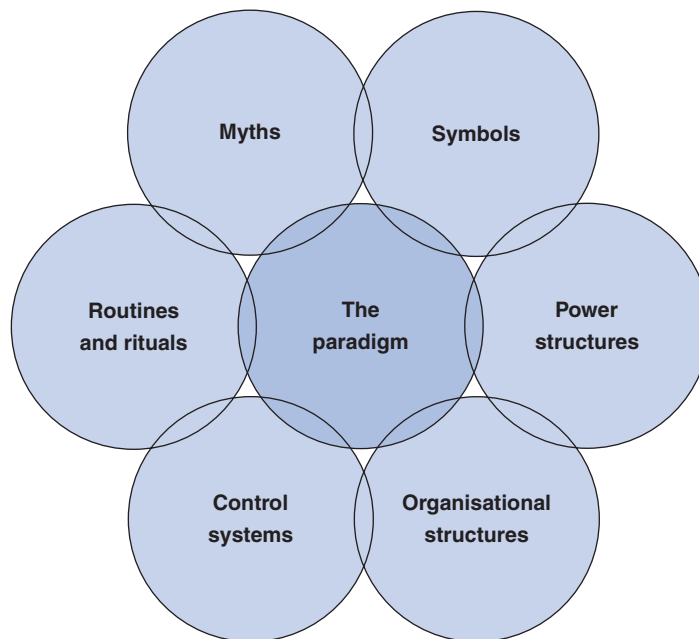
### 2.2.3 Nature of change

The *nature of change* is the way change is implemented, either in an all-at-once, big-bang fashion over a period of say, a year to 18 months, or in a more step-by-step, stage-by-stage incremental fashion. It might seem that assessing whether change is implemented rapidly or more slowly through staged initiatives is simple: either the organisation is in a crisis and needs to change fast or it has time on its side. Chapter 1 discusses the concept of strategic drift (see Section 1.3.2). It points out that many organisations are forced to change reactively as their performance declines, maybe owing to unexpected and sudden changes in their competitive environment, or due to a lack of sensing by senior managers of the growing need for change. It would seem self-evident that such organisations need to implement big-bang change. In those organisations where the need for change is foreseen in advance, then change could be slower and more incremental. So for example, Lloyds Bank announced in Autumn 2014 that over a period of three years it was going to cut thousands of staff and close many branches as it implemented a digitisation strategy, which would automate and modernise its business, also providing a cost advantage over rivals such as Santander. A digital division had already been set up to prepare for this change, which was going to cost billions of pounds.<sup>5</sup> However, the choices are not as straightforward as this example of proactive change seeking first-mover advantage suggests. We will devote more attention to

discussing time and how different time horizons influence design choices in Chapter 4. For now, it is important to note that it might be possible to phase change in a way that separates what needs or has to be changed rapidly from what may be changed more slowly. This then feeds into the concept of the change path we discuss below.

### 2.2.4 Differentiating between transformation and realignment

A key challenge in identifying the dimensions for the type of change is differentiating between transformation and realignment. Change programmes such as those at Air France-KLM may be labelled as a transformation, and indeed to those in the organisation such a change programme may feel like one given the significant amount of upheaval involved. Yet what marks such a change process out as a realignment rather than a transformation is the extent to which the planned changes do not really extend beyond concerns for efficiency and profitability to also influence more fundamentally the way individuals think about their work and their organisation. In reality, of course, there is not necessarily a clear dividing line between a realignment and a transformation. The end result of change is more like a continuum. However, broadly speaking, the more any planned change challenges the guiding assumptions and beliefs of an organisation the more the change approaches a transformation. Furthermore, knowing whether or not a planned change requires a transformation is a critical question, as transformations require more investment and a greater change capability. This raises the question as to how change agents assess this. The framework used in this text to diagnose the extent of change is the culture web (see Figure 2.4).



**Figure 2.4** The cultural web of an organisation

Source: adapted from Johnson, G. (1998) 'Mapping and re-mapping organisational culture', in *Exploring Techniques of Analysis and Evaluation in Strategic Management*, Ambrosini, V., Johnson, G. and Scholes, K. (eds) Harlow: Prentice Hall. Reproduced with permission.

The cultural web shown in Figure 2.4 can be used as an analytical device to understand the relationship between strategy and organisational culture.<sup>6</sup> Its purpose is not to audit organisation culture per se, but to reveal how existing strategies (the current realised strategy of an organisation) are embedded in the taken-for-granted assumptions and beliefs in an organisation about the organisation, its environment, how it competes and the way things are done in the organisation.

Culture is often defined as ‘the way we do things around here’. However, this definition implies that the visible action and behaviour of an organisation’s members is the organisation’s culture. Behaviours are certainly part of culture, but not the only aspect of it. They represent the tip of the iceberg, the visible manifestation of culture. Beneath the day-to-day language, behaviour and actions of the members of an organisation, lies a set of shared assumptions and beliefs that are driving the behaviour. Therefore, culture here and for the purposes of the web is defined as ‘the deeper level of *basic assumptions* and *beliefs* that are shared by members of an organisation, that operate unconsciously, and that define in a basic ‘taken for granted’ fashion an organisation’s view of itself and its environment.<sup>7</sup> Since a transformation involves a change to these assumptions and beliefs, or what in the web is called the paradigm, it follows that if the current paradigm can be identified, and what the new paradigm needs to be for the intended strategy to take root in the organisation, then the extent of change can be determined. To do this it is necessary to build current and future webs.

The cultural web reflects the definition of culture as to do with the taken-for-granted assumptions and beliefs in the way it is constructed. The assumptions and beliefs are held in the central paradigm, and are hedged around and connected to everyday visible behaviour by the other aspects of the web surrounding the paradigm, namely tangible aspects of the organisation such as structures and control systems, but also harder to define aspects such as formal and informal power structures, symbols, stories and myths, and routines and rituals. Table 2.1 provides an explanation for all the elements of the web.

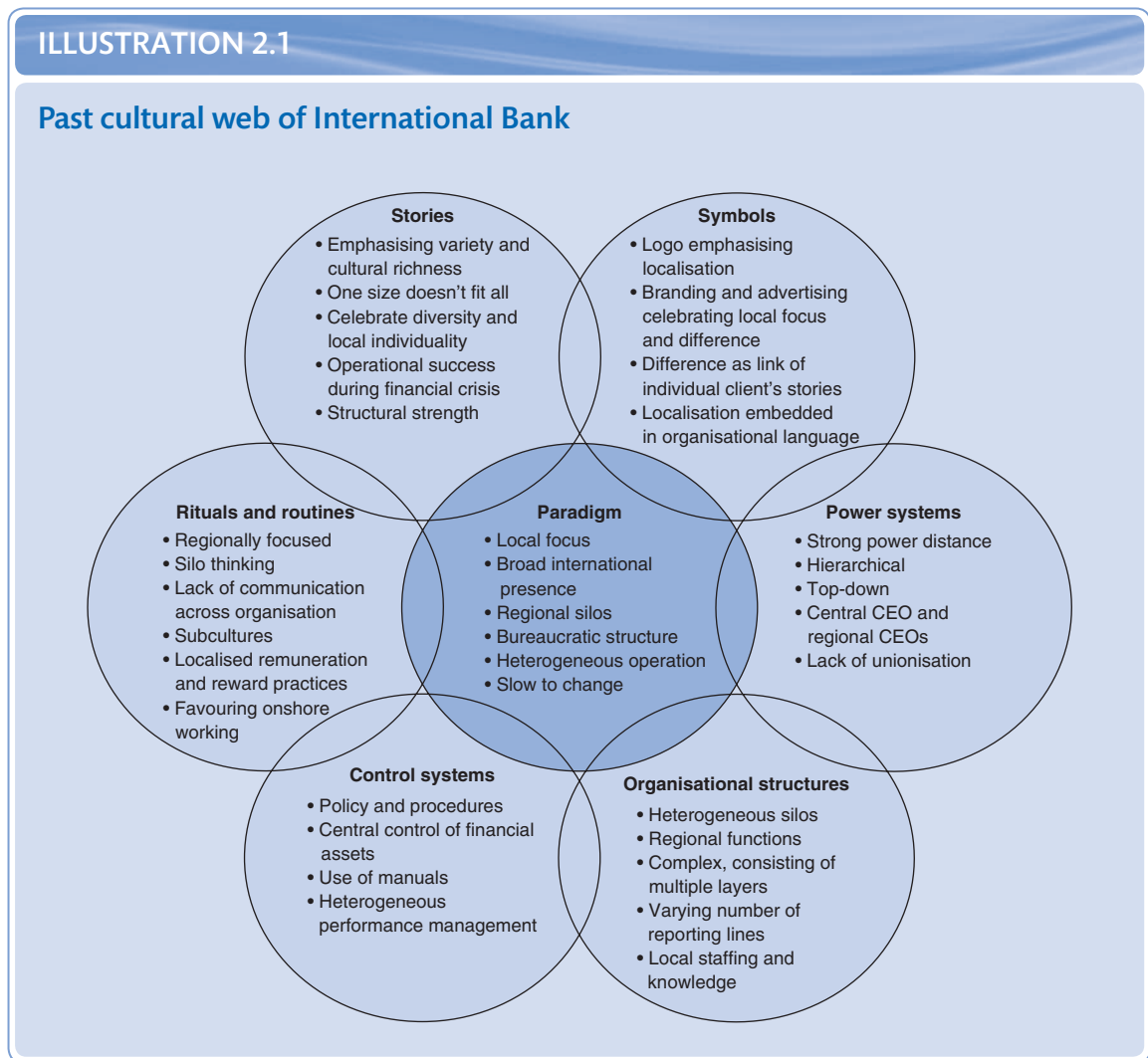
**Table 2.1** Elements of the cultural web

- The *paradigm* is the set of assumptions about an organisation which is held in common and taken for granted in that organisation.
- The *routines* are the ways that members of the organisation behave towards each other, and that link different parts of the organisation. These make up ‘the way we do things around here’ on a day-to-day basis, and at their best lubricate the working of the organisation, and may provide a distinctive and beneficial organisational competency. However, they can also represent a taken-for-grantedness about how things should happen which is extremely difficult to change and highly protective of core assumptions in the paradigm.
- The *rituals* of organisational life are particular activities and events, such as training programmes, promotion and assessment, and sales conferences, which point to what is important in the organisation, reinforce ‘the way we do things around here’ and signal what is especially valued. The *stories* told by members of the organisation to each other, to outsiders, to new recruits and so on, embed the present in its organisational history and flag up important events (successes and disasters) and personalities (heroes and mavericks who ‘deviate from the norm’).
- The *symbolic* aspects of organisations, such as logos, offices, cars and titles, or the type of language and terminology commonly used: these symbols become a shorthand representation of the nature of the organisation.
- The formalised *control systems*, measurements and reward systems that monitor and therefore emphasise what is important in the organisation, and focus attention and activity.
- The *power structures* are also likely to be associated with the key assumptions of the paradigm. The most powerful managerial groupings in the organisation are likely to be the ones most associated with core assumptions and beliefs about what is important.
- The *organisational structure* is likely to reflect power structures and delineate important roles and relationships, again emphasising what is important in the organisation.

Source: adapted from Johnson, G. (1998) ‘Mapping and Re-mapping Organisational Culture’ in *Exploring Techniques of Analysis and Evaluation in Strategic Management*, Ambrosini, V., Johnson, G. and Scholes, K. (eds) Harlow: Prentice Hall.

Illustration 2.1 shows a completed web for a large international bank. The assumptions in the *paradigm* are to do with the prior strategy of being a local bank, which is highly geographically specialised, despite having an international network and reach. The other aspects of the web supporting the paradigm include those outlined below.

- Many *rituals* support a silo approach to work where individual fiefdoms lack consistent practices and communication across their boundaries.
- *Symbols* emphasise the paradigm of being a local bank, by referring to it in advertising and branding material.



- The *structure* is complex, multi-layered and characterised by regional heterogeneity.
- *Control systems* are varied across regions with some functions controlled centrally.
- The *power* resides mainly centrally with the group management board chaired by the CEO and regional CEOs.
- The key *stories* reflect the importance of local markets, having operated successfully throughout the crisis and relying on its structural strength.

When completing a cultural web, it is necessary to fill in the outside circles first. Culture is absorbed by individuals through what they experience about the way an organisation does things, through the cultural propagation mechanisms in the outside circles, rather than by being told about the taken-for-granted assumptions and beliefs. After all, if these are taken for granted then by definition they are not spoken. Particular focus is needed on the softer aspects, such as symbols, stories and rituals since these tell people things about an organisation. The outside circles are therefore completed first and used to consider what these circles say about the organisation, and what it cares about. They reveal how an organisation functions. Is it, for example, complacent, arrogant, entrepreneurial, bureaucratic, fast to respond, slow to respond and so on. These insights are used to complete the paradigm.

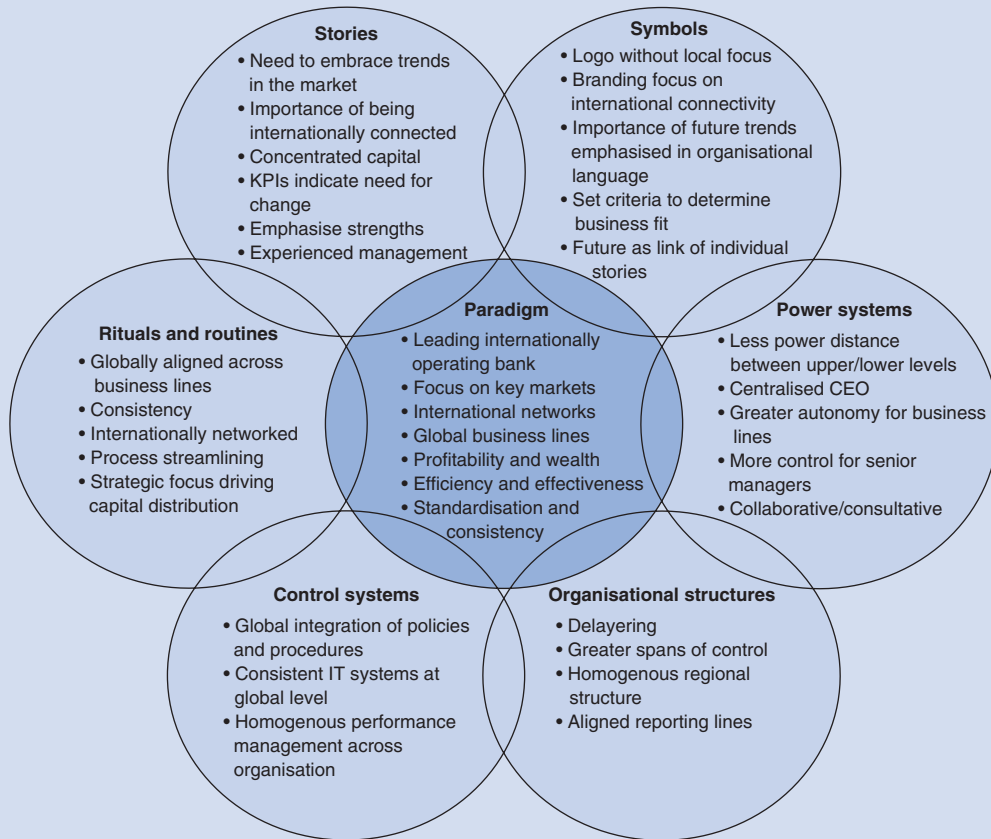
Once the paradigm is completed it can be compared to the new intended strategy to see if it will facilitate or hinder the new intended strategy. If it will hinder the new intended strategy, preventing the embedding of needed new ways of working in the organisation, then the new strategy requires a transformation in the organisation. The extent of the transformation can be gauged by ‘rewebbing’, drawing up a future web.<sup>8</sup> Change agents need to consider what existing beliefs can stay, but what additional new elements are required in the paradigm to support the new intended strategy. The more the paradigm has to change the more significant the level of transformation required.

Illustration 2.2 shows the future web drawn up for the bank. Its new strategy is to become a leading internationally integrated bank (requiring more integration and less locally oriented operations, a little like the multinationals moving to integrated ways of operating described above). As can be seen from the web, this requires a transformation. The new paradigm is characterised by a connected way of working, which is less bureaucratic, more selective in its choice of international markets and puts an emphasis on efficiency and effectiveness. In order to get from the current to the future web, a change of behaviours is required across the organisation supported by changes in all aspects of the organisation captured in the outside circles of the web, from structures and systems, to symbols and even the stories people tell each other about the organisation. Being so geographically dispersed across the globe with people from many different cultural backgrounds also means that the embedding of change into everyday practices is crucial in order for the change initiative to succeed.

This text will regularly return to the culture web to consider how it helps not only understand the extent of change required through the paradigm, but also the range of change levers to be deployed through the outside circles (see Chapter 3) and how it can be used to help develop a vision for the future state of the organisation and detect barriers that need to be removed (see Chapter 5).

ILLUSTRATION 2.2

Future cultural web of International Bank

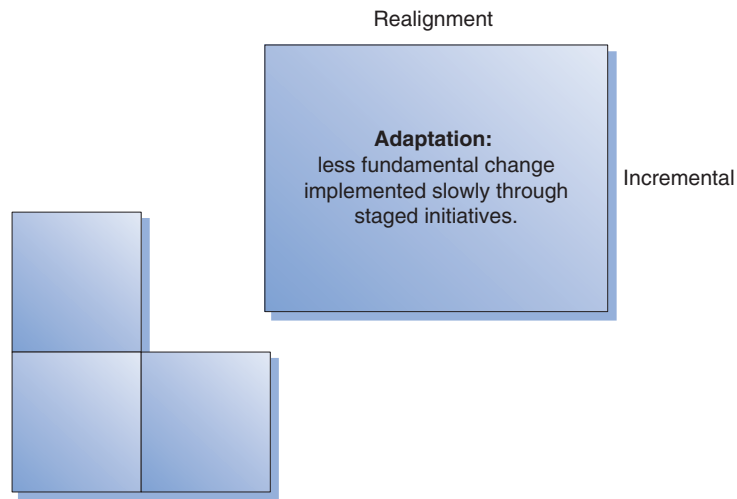


2.3 Realignment

Realignment encompasses two types of non-transformational change – adaptation and reconstruction.

2.3.1 Adaptation and reconstruction

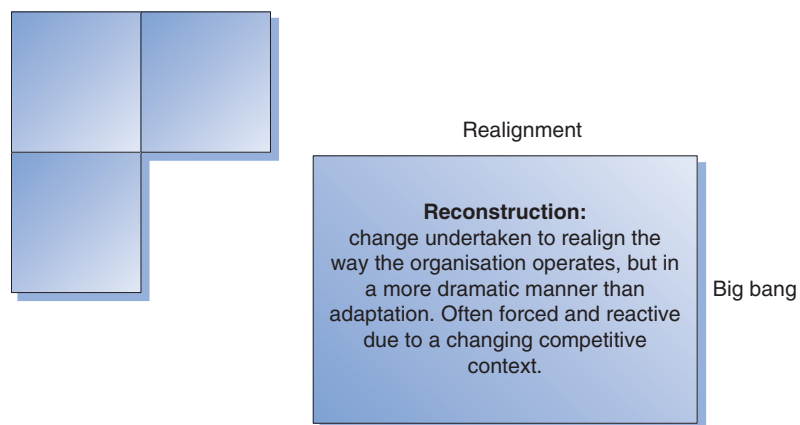
*Adaptation* is non-paradigmatic and less fundamental change implemented gradually through staged initiatives (see Figure 2.5). The example of change at Lloyds Bank mentioned above is an adaptation, as is the example of change at Amey. Although it involved some initial up-front interventions in 2010, initiatives such as the Amey Academy were designed to deliver more gradual change. Illustration 2.3 includes some more specific examples of adaptations. The first is of Nampak, a manufacturer of plastic milk bottles, and



**Figure 2.5** Adaptation

the second is of Tesco. In both cases, the organisations are putting in place many measures over a number of years to deliver change, although not necessarily change of a transformational nature. This is despite the fact that at Tesco, the Chairman has specifically identified the need for more fundamental change in the organisation.

*Reconstruction* is also non-paradigmatic and less fundamental change undertaken to re-align the way the organisation operates, *but* in a much faster and dramatic fashion (see Figure 2.6). Reconstruction may involve making significant change to address decline in organisational performance, often due to increasing misalignment with the operating environment. Indeed, many turnarounds, such as the ones described at Air France-KLM above, are reconstructions. See Illustration 2.3 for more examples at Siemens, RTE and ITV. These examples are united by the need to restore performance to the organisations in a relatively short period of time.



**Figure 2.6** Reconstruction



Reconstructions typically focus on stabilising the organisation's position and addressing further deterioration in performance through large-scale and simultaneous change, but these initiatives are rooted within the organisation's existing paradigm. As such, they are commonplace. Reading the *Financial Times* regularly will reveal a stream of organisations undertaking re-constructions. Reconstructions, since they often involve significant and rapid restructuring and loss of jobs, may feel like more radical change to the people involved. However, as long as changes do not significantly challenge the beliefs and assumptions individuals hold about the organisation and the nature of their work, it is not a revolution.

### ILLUSTRATION 2.3

#### Delivering adaptations and reconstructions

##### Adaptation at Nampak

Nampak is a manufacturer of plastic milk bottles employing 14,000 people worldwide. Nampak Plastics Europe is the UK's market leader in this field. The company was not in financial trouble, and in fact has performed well in the past. However, as a manufacturing business the emphasis has traditionally been on cost rather than on people. In its UK operations this had created an organisation in which morale was low and customer complaints frequent. When Eric Collins took over the role of Managing Director, he realised the need to change and as a result initiated a multi-stage change programme that would seek to shift the organisation to one that adds value through and for its people. Over the coming years, this included the appointment of a new Head of HR, the introduction of a new company-wide performance management system, a training programme for all managers on how to communicate with their staff as well as new development and recruitment tools and practices. In addition, a Corporate Social Responsibility (CSR) programme was created that links the different manufacturing sites with local schools and the wider community. Finally, in order to institutionalise the importance of the HR function in the structure of the organisation, the role of the Quality and Organisation Development Director was created which forms part of firm's board. Three years on, key employee and customer statistics had improved significantly.

Source: adapted from Smedley, T. (April 2011) 'Business case: Nampak', *People Management*, pp. 38–41.

##### On-going adaptation at Tesco

In 2012, the then CEO of Tesco, Philip Clarke, announced a £1bn turnaround plan for its UK business as well as £200m of price cuts, following a profit warning for the retailer and warnings from industry insiders and analysts of a decline in Tesco's competitive position. Tesco was losing market share to other retailers, particularly the discounters such as Lidl and Aldi. Tesco's turnaround plan involved putting more staff in stores through recruiting 8,000 new staff, revamping 430 supermarkets to make them feel 'warmer', and greater investment in their online and convenience offerings, as well as price reductions. They further introduced new product lines in both the food and non-food section with the latter focusing on more high-margin products. Nevertheless, the 2013 Christmas period saw a further drop in sales of 2.4 per cent and sales have continued to fall. In addition, these investments did not tackle some of the more fundamental issues described by the Chairman, Richard Broadbent, in November 2013. He argued that a whole set of cultural changes were needed since Tesco had become inward-looking, losing touch with the customers and too focused on financial metrics. There was a need to change what had become an insular culture. Since 2012, however, Tesco has continued with the roll-out of the turnaround plan rather than anything more fundamental, although the plan has not seemed to get a grip of the situation. In July 2014, Dave Lewis from Unilever replaced CEO Philip Clarke as the second profit

### Illustration 2.3 (continued)

warning since 2012 was announced, with a third following in August 2014. It is argued that the major strategic problem for Tesco is that no-one is sure what it stands for – it remains marooned between the more upmarket offering of competitors like Sainsbury's and the value offers of competitors like Aldi and Lidl.

Source: adapted from Walsh, K. (15 April 2012) 'Can we learn to love Tesco again?', *The Sunday Times*. Davey, J. and Maidment, N. (25 February 2014) 'Tesco pins UK turnaround on price cuts and store revamp', *Reuters UK Edition*. Felsted, A. (6 March 2012) 'Every little revamp helps Tesco', *Financial Times*. Wood, Z. and Rankin, J. (21 July 2014) 'Tesco board ousts CEO Philip Clarke after latest profit warning', *The Guardian*. Senior, D. and Bibby, C. (24 November 2013) 'Tesco 'lost touch with the world'', *The Sunday Times*.

#### Reconstruction at Siemens

The new CEO of Siemens, Joe Kaeser, appointed in August 2013, started to put in place significant cost-cutting and restructuring initiatives from mid-2014, including the announcement of the loss of 11,600 jobs. This came as a response to Siemens' decline in profitability and customer orders. The restructuring includes changing the four-sector model (industry, healthcare, energy and infrastructure) established by his predecessor, to a consolidated divisional structure. In addition, Siemens is to separately manage its health-care division in order to focus on its core business, electrification. This follows on from earlier restructuring and cost cutting by the previous CEO initiated in 2012, which included a €6.3bn cost-cutting programme including 15,000 job cuts.

Source: adapted from Ross, A. and Bryant, C. (30 May 2014) 'Siemens to cut 12,000 jobs in attempt to revive its fortunes', *Financial Times*, p. 13. Bryant, C. (8 November 2012) 'Siemens reveals €6bn cost-cutting plan', *Financial Times*.

#### Restructuring at RTE

RTE, the Irish National Broadcaster, underwent restructuring efforts following a strong decline in revenues between 2008 and 2012. In 2012 under the leadership of Noel Curran, who took over as the Director General of RTE in 2011, initiatives included a reduction in head count by 20 per cent from 2008 levels, only 50 per cent of which could be delivered through early retirement and voluntary redundancy,

cuts to staff pay and presenter fees and the cessation of performance-related pay. In 2013, RTE returned to financial stability, reporting a break-even and pre-tax surplus of €1m. Even though drastic in nature, these changes did not challenge RTE's core purpose and mission of providing quality content to its audience.

Source: adapted from Slattery, L. (26 April 2013) 'Steering RTE through the most turbulent era in media history', *The Irish Times*. Curran, N. (2014) 'Director-General's Review', Ireland: RTE, <http://www.rte.ie/about/en/press-office/statements-speeches/2014/0701/627686-director-generals-review/>, accessed 02 December 2014.

#### Early reconstruction at ITV

Following his appointment as Chief Executive of ITV, the UK's leading commercial terrestrial broadcaster, in 2010, Adam Crozier launched a five-year plan to transform the company into one that can produce world-class content, exploit it across a range of broadcast and other platforms, and sell it world-wide. ITV faced £2.7bn annual losses, a £1m pension deficit, staff demoralisation and severe difficulties in making the transition from analogue to digital broadcasting. Crozier's new strategy involved significant restructuring in the early days as he sought to change the shape of the business to make it more competitive, plus develop new digital pay revenue streams and build an international content business. The restructuring involved the departure of six of the top 10 senior executives, and two-thirds of the top 180 executives. He also put in place a programme of acquisitions. About four years on, as its revenues have increased, so has ITV's share. It turned its crisis-time losses of £2.7bn to a profit of £348m by 2012 and it has acquired several production companies.

Source: adapted from Fenton, B. (29 January 2010) 'Challenge factor as Crozier leads ITV's revolution', *Financial Times*, p. 21. Sweeney, M. (06 September 2013) 'Adam Crozier's ITV revival backed by investors', *The Guardian*. ITV (2011) 'ITV plc preliminary results for the year ended 31st December 2010', UK: ITV, [http://www.itvplc.com/sites/itvplc/files/Press%20release\\_4.pdf](http://www.itvplc.com/sites/itvplc/files/Press%20release_4.pdf), accessed 02 December 2014. Davidson, A. (30 August 2013) 'ITV boss Adam Crozier: 'I'm a bit of a control freak'', *Management Today*. IFT (2011) 'Adam Crozier receives National Award for turnaround success', *IFT News & Media*, <http://www.instituteforturnaround.com/news/articles/adam-crozier-receives-national-award-turnaround-success>, accessed 01 August 2014.

Many such change programmes are clearly significant and important to the longer-term survival of an organisation. However, adaptations and reconstructions can also be carried out for other reasons, such as a merger, where it is necessary to bring two organisations together. For example, in 2010, British Airways and Iberia merged to form the International Airlines Group (IAG) and become one of Europe's largest airlines. Subsequently in 2011 IAG acquired British Midlands. This required the formation in January 2011 of IAG as the parent company for BA and Iberia, but also enabled the group to bring together functions such as procurement, IT and maintenance to get efficiency savings.

Reconstructions and adaptations such as the ones discussed above do sometimes lead into more fundamental transformational change (see Paths of change, below). Thus the reconstruction at Siemens seems to be moving into a transformational phase as the current chief executive attempts to make changes to its current business strategy. Sometimes organisations engage in a range of restructuring efforts without recognising that transformation is needed, or that the restructuring efforts alone will not be enough to deliver the required more fundamental transformation. This seems to be the case at Tesco, for example. The changes undertaken up until mid-2014 were initially announced as a transformation, but have not been of an adequate level to deliver against this. Many of the changes were more short-term margin focused. As mentioned above, what Tesco needs, according to experts in the sector and its own Chairman, is a much more fundamental transformation.

Other organisations become trapped in a downward spiral of reconstruction through a failure to move beyond restructuring and profit improvement programmes to the required more fundamental change, even when the need for major transformational change has been recognised. This appears to be the case for Kodak. Kodak has been described as the Google of its day, known for its leading-edge technology and original marketing from its founding in 1880. It is not that significant market changes, including the switch to digital and smartphones to replace cameras were not foreseen. However, its culture has been described as one of complacency and arrogance based on its near monopoly, with a mentality of perfect products rather than a more hi-tech mindset and a belief that the superiority of its brand would enable it to win out over competition such as that from Fujifilm. The company was a lumbering giant rather than nimble and creative. Efforts to change were initiated with George Fisher in 1993 who did put in place a digital strategy. Yet by 2000, Daniel Carp, Kodak's chief executive between 2000 and 2005, had to initiate a host of initiatives to address Kodak's increasingly lacklustre performance. Businesses were disposed of and the workforce size reduced with the aim of saving \$1bn by 2007. The aim was to turn Kodak around through a realignment with its market and the creation of a platform from which to 'develop a business around digital imaging and photography'. To assist the turnaround, changes were also made to the company's senior management. Digital expertise was brought in from outside. The emphasis on turning Kodak around and refocusing on the area of digital printing continued under the leadership of Antonio Perez (CEO from 2005 to 2014). While a number of turnaround and restructuring initiatives were attempted, performance continued to decline and by 2011 Kodak's revenue was just over \$6 billion with the company reporting year on year losses. In 2012, Kodak filed for Chapter 11 bankruptcy. It had spent \$3.4bn on its attempts to turn the company around, had shed 47,000 employees since 2003, and closed 13 film, paper and chemicals factories and 130 photo labs. It had only 17,000 employees left when it filed for Chapter 11. Towards the end of 2013, Kodak emerged from bankruptcy as an even smaller organisation and with a focus

on the corporate digital imaging market. Antonio Perez said it was to be resurrected ‘as a technology leader serving large and growing commercial imaging markets – such as commercial printing, packaging, functional printing and professional services – with a leaner structure and a stronger balance sheet’.<sup>9</sup>

## 2.4 Transformation

Transformations are difficult to effect. They should never be undertaken without considering if there is an alternative way to restore an organisation’s competitive position, or for reasons of a fad, or because a new chief executive considers it necessary to prove him or herself. There has to be a compelling strategic reason for a transformation. They can either be in the form of an *evolution* or a *revolution*.

### 2.4.1 Evolution

Evolution is transformational change implemented gradually through different stages and interrelated initiatives (see Figure 2.7). It is likely to be planned, pro-active transformation, in which change is undertaken by managers in response to their anticipation of the need for future change. This was the case for the John Lewis Partnership (JLP). JLP employs almost 85,000 people. JLP’s most defining characteristic is that it is one of the largest employee-owned businesses in the world. All of its employees are partners in the business. Between 2009 and 2012, having anticipated the challenges of their current model of operations in light of future risks, JLP undertook a major strategic review in order to make it more cost-efficient, flexible and accountable. It resulted in a change programme, the *Branch of the Future (BOF)*, which was the biggest planned change programme the organisation had ever embarked on. Senior management in JLP continuously emphasised that BOF was not a quick-fix response to the financial crisis, but a longer-term strategic change to how the organisation operates. Importantly, given its partnership structure, throughout the change

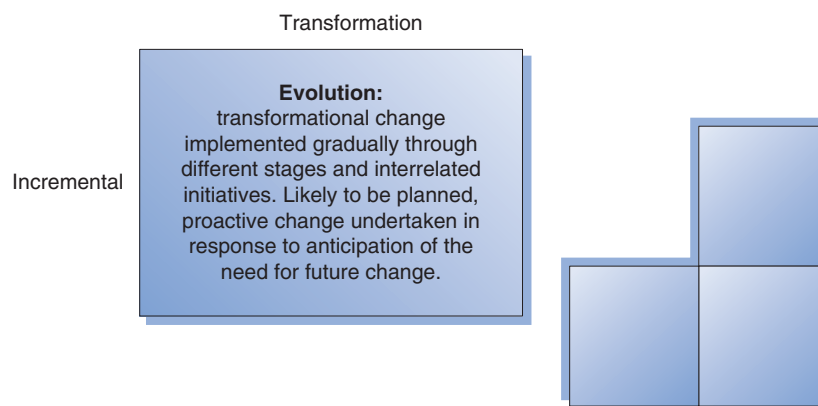


Figure 2.7 Evolution

process, the core principles of co-ownership and the collective good needed to be respected. The main transformation was in moving what had previously been an old-fashioned paternalistic culture to one in which partnership is about adults working together underpinned by mutual accountability and responsibility for profitable growth. The change process showed many of the characteristics of an evolution, with significant investment in a series of integrated and phased initiatives over time that altered many aspects of the organisation, supported by on-going communication and personal development. Throughout the process, continuous communication was vital. Senior managers were given the opportunity to clear their schedule in order to make time for talking to staff about the meaning and implications of BOF. Redundancies could not be avoided in the change process but a carefully planned redeployment programme meant that staff had the possibility to choose alternative jobs in the organisation, should they decide to stay. Those who decided to leave were offered support in their employment search.<sup>10</sup>

To illustrate in more detail how evolutions unfold Illustration 2.4 describes the evolution undertaken by the Royal Ulster Constabulary of Northern Ireland. It shows how a series of integrated and phased initiatives over time have led to a new culture and organisational identity, but that given the extent of the transformation process, work remains to be done.

## ILLUSTRATION 2.4

### Evolution at the Royal Ulster Constabulary of Northern Ireland

As part of the peace settlement in Northern Ireland, The Royal Ulster Constabulary of Northern Ireland needed to be moved from a military organisation to one that provides policing to the community. In line with the recommendations of the Patten Report: Policing in Northern Ireland, this required a fundamental shift to a police service rooted in the community, more accountable, more transparent, with greater diversity and explicitly committed to the protection of Human Rights. To achieve this, a significant culture change had to occur. The RUC was militaristic and hierarchical compared to other police forces, with methods of policing that separated its officers from the community to safeguard them from attack. Police operated from fortified stations in armoured vehicles and did not dare tell their children what they did for a living for fear of attack from extremists on both sides.

The organisation's name change to the Police Service of Northern Ireland (PSNI) in 2001 was the first step on a long path of transition started by the Chief Constable, Sir Ronnie Flanagan. Later, Sir Hugh Orde, Flanagan's successor as Chief Constable appointed in 2002, accelerated the pace of change within PSNI.

Transformation was introduced in all aspects of the organisation. For example, an early retirement scheme was introduced with a reduction in the size of the force from 13,500 to about 7,500. New recruits were drawn 50-50 from the Protestant and Catholic communities. The RUC's crown and harp cap badge was replaced and staff were required to accept a new police oath. A new Policing Board replaced the Police Authority to oversee the service and an Oversight Commissioner was established to monitor progression against the Patten recommendations along with 772 performance indicators. During 2002 and 2003, every member of the PSNI (police and support staff) took part in a mandatory training programme - 'Course for All' - outlining the new structure, process and values of the service. Further development focused particularly on developing leadership capability.

At the time of its inception many questioned both the ability of the force to change and its potential to be effective in a rapidly changing Northern Ireland. While politicians have stated that the PSNI is on a 20-year journey of change, significant achievements have been made. By 2007, 140 of the 175 Patten

**Illustration 2.4 (continued)**

Report recommendations had been achieved, with the remainder in progress. In 2009 Matt Baggott replaced Hugh Orde. In his role as PSNI chief, Matt Baggott, a strong supporter of community-style policing, felt sufficiently confident in the progression of the transformation to be able to focus organisational attention on growing public confidence and encouraging officers and staff to provide a 'Personal, Professional and Protective Policing Service' to all communities in Northern Ireland. Indeed by 2011 PSNI enjoyed the support of the vast majority of the people in Northern Ireland and the politicians in the Northern Ireland Assembly as crime rates were the lowest for ten years.

2011 also saw the reconstitution of the Northern Ireland Policing Board. As new members were appointed in order to promote a collaborative approach, they became involved in setting the strategic vision for PSNI. This led to the introduction of the 'Policing Plan 2012–2015'. The aim of this plan was to further foster the approach of policing within the community by adjusting numerical targets of previous plans which did not fit with their new approach.

As a result, a new set of principles called 'Policing Commitments' was introduced which emphasise fairness, responsiveness, protection, confidence, accountability and the partnership between police and public.

Matt Baggott's time has not been without challenges. When he retired at the beginning of 2014 his efforts were met with praise and criticism. He will be replaced by George Hamilton who will continue the organisation's change efforts based on what has been defined as the 'Policing with the Community 2020 Strategy'.

*Source:* adapted from CNN.com (5 February 2007) 'Specials 2000: Conflict & Hope in Northern Ireland: Identity Crisis for Police', CNN.com. BBC News (4 November 2011) 'Policing, Patten and ten years of the PSNI', BBC News. McInnes, A. and Meaklim, T. (2012) 'Leading the Police Service of Northern Ireland – ten years and beyond', *The International Journal of Leadership in Public Services*, 8 (1), pp. 39–58. BBC News (29 May 2014) 'George Hamilton is new PSNI Chief Constable', BBC News. BBC News (22 January 2014) 'Matt Baggott to step down as NI Chief Constable', BBC News. PSNI (2011) 'Policing with the community 2020 Strategy', Northern Ireland: PSNI, [http://www.psnipolice.uk/pwc\\_-\\_2020\\_v2.pdf](http://www.psnipolice.uk/pwc_-_2020_v2.pdf), accessed 02 December 2014. PSNI (2012) 'Policing Plan 2012–2015', Northern Ireland: PSNI, [http://www.psnipolice.uk/policing\\_plan\\_2012\\_-\\_2015.pdf](http://www.psnipolice.uk/policing_plan_2012_-_2015.pdf)

Recent research suggests that some organisations are able to undertake on-going evolutions enabling them to continuously provide above-average performance (in terms of measures such as ROI and profitability). This links to issues of power that will be considered in Chapter 4. It is argued that the establishment of parallel alternative coalitions at the top of an organisation with insight into alternative business models more suited to developing competitive conditions may enable this on-going process. They are able to introduce new ways of working proactively rather than reactively, preventing the need for radical corrective surgery as the organisation never experiences under-performance.<sup>11</sup> Unfortunately, two of the organisations described in this research are Tesco and Cadbury. Tesco at the time of writing has been experiencing performance issues for some time (see Illustration 2.3) issuing another profit warning in July 2014 and replacing their CEO. Cadbury was taken over by Kraft Foods in 2010.

### 2.4.2 Revolution

Revolution is fundamental, transformational change, such as that at the John Lewis Partnership, but it occurs via simultaneous initiatives on many fronts, and often in a relatively short space of time, such as 18 months (see Figure 2.8). It is more likely to be a forced, reactive transformation, due to the changing competitive conditions the organisation is facing. If an organisation's strategy is still rooted in the ways of behaving that used to lead

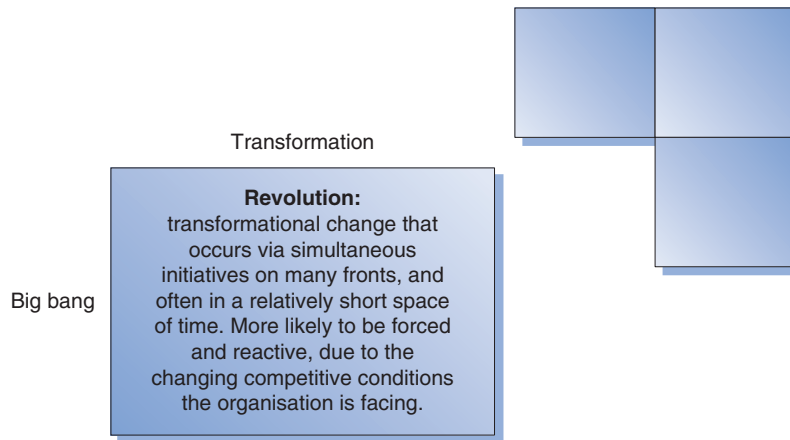


Figure 2.8 Revolution

to success, then the mismatch between the strategy being pursued and the new strategies required may be great enough to force fundamental change in a short space of time if the organisation is to survive. An organisation may also need to implement planned transformation rapidly, because, for example, the organisation sees the need to pre-empt fast competitor response, or realises that rapid change is necessary to meet changing customer needs. This is true of Foxconn, the electronic manufacturer who supplies products for well-known brands such as Apple. Foxconn has recently announced plans for a relatively rapid transformation. It wants to move from being an assembly line manufacturer to a high-tech service company. This means that rather than only manufacturing products for others, it plans to invent its own technology and provide data services for mobile telecom providers across China. The time scales it has set itself for this transformation suggest it is engaging in a revolution.<sup>12</sup>

When considering revolutions it is important to distinguish between intended revolutions and actual revolutions. A point this book returns to later is that it takes people time to change their behaviours, and even longer to change their attitudes and the way they think about their work. Furthermore, not all individuals within an organisation are willing or able to undertake the changes asked of them. Change is therefore facilitated by a process of natural attrition as those less able or willing to change leave the organisation and are replaced by individuals more suited to the new ways of working required. So for example, when Barclays' CEO Antony Jenkins announced the introduction of new organisational values, those who didn't want to change were asked to leave. This can, of course, take some time.

Thus while many organisations talk of delivering (intend) a revolution, they often end up delivering (realising) something lesser, and then have to embark on a second phase of change to get to where they need to be. It would be more accurate to talk of the myth of revolution given the number of organisations that talk revolution, yet the few who achieve it. We will return to this point in Chapter 4 when discussing context, as an organisation would need to be facing many positive aspects in their context, such as significant capacity, capability and readiness, to effect a deep change rapidly. This, of course, raises the question as to what senior executives can do if they need transformational change and they

need a turnaround in performance rapidly. We pick this point up when we discuss paths of change below. There remains an unfortunate perception among senior executives that change comes about through restructuring and that restructuring is, therefore, an end point rather than the beginning of change.<sup>13</sup> Of course, given that in reality it takes time (and significant investment) for people to change their behaviours, one way to achieve a revolution may be literally to (physically) change the people. Thus Foxconn is intending to achieve its desired shift through building factories that employ not rows of workers on an assembly line but robot workers, and forming alliances with universities to attract graduates in engineering and science. Only time will tell if the company will be able to deliver on its ambitious plans.

For most businesses, however, such a radical approach is simply not feasible. Therefore, in reality, revolutions are few and far between. Most transformational change – whether effected at the corporate level by selling off old businesses and acquiring new ones to transform the corporate portfolio, or effected within the businesses through strategic, structural and cultural change – occurs through a more evolutionary path. Furthermore, while it may be possible to transform a corporate portfolio in terms of the range of businesses within a short space of time through disposals and acquisitions, longer-term change is often needed to weld the new corporate entities into a cohesive whole.

## 2.5 Paths of change

The last point of the above paragraph is important as it emphasises why this book talks about *paths of change* with *types of change* as a consideration within this. The eventual aim of an organisation may be to achieve transformation, possibly as part of a turnaround, but the organisation may lack the resources, skills or finance to achieve transformation. Alternatively, the organisation may be in a crisis, and losing a lot of money, and therefore needs to stop the rot before any longer term change can be undertaken. As a result, it may be necessary to undertake an enabling phase of change first. Thus the notion of a change path ties into the concept of reshaping the context introduced in Chapter 1 and discussed more in Chapters 4 and 8. The first phase of the change path will be designed to reshape the contextual features in a way that makes the context more favourable to the delivery of the desired change.

It is also important to recognise that this is why this book uses the term ‘*end result of change*’ since it is associated with the concept of the change path and chosen deliberately to emphasise the choices taking place at this point. When considering change, it is necessary to assess whether ultimately the new strategy is about transformation or realignment, but then recognise that it might be necessary to start with a phase of realignment change to reconfigure the context in a way that enables a subsequent transformational change.

### 2.5.1 Reconstruction followed by evolution

The most popular change path is that of reconstruction followed by evolution (see Figure 2.9). In fact, it has almost become a change formula in its own right. To give a well-known and popular example first, British Airways in the 1980s effected a much cited cultural



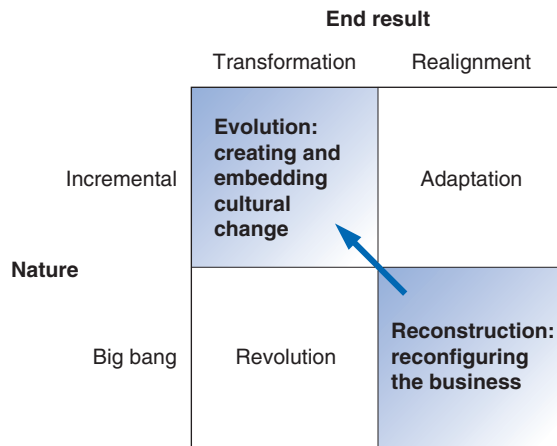


Figure 2.9 Paths of change

transformation. However, this followed a financial turnaround of the airline. Between 1981 to 1982 the workforce was downsized dramatically; unprofitable routes were closed; cargo-only services halted; offices, administration and staff clubs were cut; and a pay freeze imposed. Only then, in autumn 1982, was attention turned to changing the airline’s image and culture from an organisation more about transportation to one focused on customer service.<sup>14</sup> The reconstruction resolved the financial crisis at the airline, and provided both money and time for the culture change. It also shook staff out of their complacency and into a recognition of the need for change through some of the drastic measures taken to restore profitability.

Similarly, change was initiated at GE, the international corporation with businesses as diverse as financial services, aircraft engines and lighting, by Jack Welch in the early 1980s, following his appointment as CEO. However, up until 1988, the changes had arguably been mainly to do with a series of reconstructions, such as altering the GE infrastructure, working practices and political make-up.<sup>15</sup> Come 1988, Welch realised that if a genuine transformation was to be achieved, culture change was also needed, and this couldn’t be delivered through restructuring. Therefore, the initial change effort was extended into the 1990s by a 10-year programme called ‘Work-Out’. However, it would not have been possible to put ‘Work-Out’ in place had GE not already been through a change which left it in a financially sound position and created a desire and commitment for change.

Fiat is a more recent example of a reconstruction (sale of non-core assets, finding investment partners, redundancies) followed by an evolution to deliver a more fundamental transformation of the company (cultural change from a traditional command and control to decentralisation and flexibility). Revenues have improved and the acquisition of Chrysler has paved the path for more reconstructive and evolutionary change.<sup>16</sup>

Illustration 2.5 shows a more detailed example of a change path of reconstruction followed by evolution. It describes the change process at Deutsche Telekom led by René Obermann when he was appointed as CEO in 2006.

## ILLUSTRATION 2.5

## Change Paths: Deutsche Telekom (DT)

Deutsche Telekom (DT) is a German-based international telecommunications company. The organisation has a long-standing legacy in Germany, having initially been part of the state-owned Deutsche Bundespost, the German federal post office. In 1996, DT went public although today the German Government still holds about 30 per cent of the company's shares. At the end of 2013, DT had about 230,000 employees out of which two thirds were employed internationally. In its 2013 end-of-year statement, it further announced a profit of €930m. This happened following what can be described as a challenging time for Deutsche Telekom in which it has seen a considerable transformation.

When René Obermann was appointed as the new CEO in November 2006, he found an organisation that was struggling with a historically low share price, decreasing profits, low customer satisfaction and operational challenges in its core products, such as its fixed-line business. The appointment of René Obermann was a surprise to some who questioned the 43-year old's lack of experience and entrepreneurial spirits. His willpower to push through decisions, however, had given him the nicknames 'Obermann the Doberman' and the 'Bulldozer'. By then DT's previous CEO had implemented many cost-cutting measures, although not enough to compensate for the on-going loss of market share, and reduced its four business divisions into three: T-Home, comprising fixed and broadband services for customers at home, T-Mobile, containing mobility services, and T-Systems, an integrative service for business customers. While operationally necessary, this functional division had created a culture of fragmentation and heterogeneity. Office politics, bureaucracy and high formalisation characterised everyday working practices at DT, with more concern for status and status symbols than performance.

Shortly after he was made CEO, Obermann initiated a range of rapid changes. At DT's senior

management level, he replaced 45 per cent of the previous team, appointing one of his closest allies, Tim Höttges, as head of T-Home. Similarly Höttges then replaced half of his T-Home senior management team. Many of the vacant management positions were filled with recruits from outside, creating a group that became known as the 'Doberman pack'. Focusing on a turnaround in T-Home, Obermann then conducted many strategy workshops with his new inner circle, doing away with the previous style of reports, analysis and PowerPoint presentations and instead agreeing the tough decisions that needed to be made rather than visions and structures. The new team's focus also heralded the start of a culture change since they were results-focused and believed that the old behaviours had to change.

At the beginning of 2007, shortly after his appointment, Obermann was able to introduce his new strategy: 'focus, fix and grow'. The organisation was to *focus* on its core consumer brands: T-Mobile and T-Home, continuing the structural integration started by his predecessor, and introducing new products and services. The organisation was to be *fixed* by pushing through the €2 billion cost savings also planned by his predecessor for 2007, such as updating and streamlining the organisation's network and infrastructure and continuing to exploit economies of scale in mobile communications. However, some restructuring was also to be introduced as part of *fix* with 50,000 staff transferred into independent customer service units (T-Service). To *grow* growth opportunities in new markets and partnerships in the mobile telecommunications sector were to be exploited.

Some of the changes, particularly around the restructuring of DT to move staff into an independent company, and the performance focus were strongly resisted by DT's long-standing staff and the worker's union. Obermann pushed ahead, publicly issuing warnings as to the risks of not implementing the changes and recruiting a restructuring veteran to manage the process. Following lengthy and tough negotiations, DT's management reached an



**Illustration 2.5 (continued)**

agreement which saw salary cuts and longer working hours as well as the creation of the T-Service unit, leading to a proposed cost saving of €500 to 900 million a year.

Meanwhile in T-Home, in addition to fixing the business through new offers and improved customer service, Höttges was also initiating a more fundamental and longer-term culture change to do with a 'winning culture' which involved respecting and understanding the customer. He used emotive language calling head office an 'Ivory Tower' and encouraged managers to leave it for more interaction with customers. He ran workshops involving 2,000 people to decide on how, for example, to improve customer service. His senior management put in place similar initiatives and used many performance measures and metrics to ensure plans were being implemented. Höttges also launched a training programme which involved executives and managers undertaking an 8-day training programme on 'customer-centricity'.

By the end of 2007, the numbers were promising. The cost savings were invested into further improving DT's positioning, under what had become known as 'Safe for Service' and investment analysts were sharing a more positive outlook for DT's future. At the end of 2009 profits had increased by 6.2 per cent compared to the year before and T-Home had experienced a wave of returning customers. Further structural integrations followed such as the merger of T-Mobile and T-Home to become a subsidiary under the Deutsche Telekom AG (DTAG) under what

became known as the 'One Company' project. To extend change and recognising the need to continue DT's evolution through enduring changes to the company culture, Obermann also introduced a set of common behaviours in order to strengthen the organisation's shared culture under the 'One Company' approach though a series of company-wide workshops that extended across many months.

*Source:* adapted from Ben-Hur, S. and Anderson, J. (1 June 2011) 'Case study: Deutsche Telekom', *Financial Times*. N-TV News (20 December 2012) 'Obermann geht - Höttges kommt' N-TV News, <http://www.n-tv.de/wirtschaft/Zurueck-ins-operative-Geschaefte-Telekom-Chef-Obermann-tritt-ab-article9837746.html>, accessed 02 December 2014. Anderson, H. and Ben-Hur, S. (2011) 'Deutsche Telekom: A Transformation Journey (A)', IMD, ECCH case studies IMD-3-2150. Anderson, H. and Ben-Hur, S. (2011) 'Deutsche Telekom: A Transformation Journey (B)', IMD, ECCH case studies IMD-3-2151. Deutsche Telekom (15 May 2008) 'Strategy for long-term success', Bonn: Deutsche Telekom, <http://www.telekom.com/investor-relations/shareholders-meeting/archive/2008/63982>, accessed 02 December 2014. Deutsche Telekom (19 November 2009) 'Shareholders want One Company', Bonn: Deutsche Telekom, <http://www.telekom.com/investor-relations/shareholders-meeting/archive/eo-shareholders-meeting/107856>, accessed 02 December 2014. Deutsche Telekom (2014) 'Annual report', Bonn: Deutsche Telekom, <http://www.telekom.com/ar-2013>, accessed 02 December 2014. Handelsblatt (06 December 2006) 'Die Telekom entdeckt den Service am Kunden', Handelsblatt, <http://www.handelsblatt.com/unternehmen/it-medien/obermann-baut-um-die-telekom-entdeckt-den-service-am-kunden/2742240.html>, accessed 02 December 2014. Shellock, D. (14 November 2006) 'Traders signal changes at Deutsche Telekom', *Financial Times*, p. 32. Parker, A. & Wiesmann, G. (2 March 2007) 'Setting a course for recovery beyond the mire', *Financial Times*. Wiesmann, G. (11 May 2007) 'Deutsche Telekom staff vote for immediate strike', *Financial Times*, p. 19. Simensen, I. (21 June 2007) 'D Telekom seals deal on pay cut', *Financial Times*, p. 25.

As we point out at the start of this section, existing examples of change therefore suggest that, dependent on the context of the organisation, it may be necessary to undertake an enabling realignment phase, either in the form of an adaptation or a reconstruction, before embarking on a longer-term transformation. Indeed, when organisations are underperforming badly, a rapid reconstruction focused on restoring profitability will be essential to the longer-term survival of the organisation and a necessary first step on the path to transformation. The initial reconstruction will return the organisation to sufficient levels of profitability to buy it the time and investment (capacity) it needs to effect a longer term transformation. Other research supports this notion of a change path, and the logic of reconstruction followed by evolution, describing this in terms of E change (economic change) and O change (organisation change).<sup>17</sup> More will be said about this in Chapter 4.

Reconstruction followed by evolution is a common change path for particular reasons. As discussed in Chapter 1, many senior executives delay change until performance has declined to such an extent that it forces them in to a reactive change, as predicted by punctuated equilibrium models of change. The financial performance of the organisation, or stakeholder pressure in the case of a public sector organisation performing in ways considered unacceptable by the government and the public, gets to the point where it leaves senior executives with little choice but to undertake a rapid reconstruction. Indeed, it might be that until there is such a dip in performance, it is not possible to build a coalition at the top willing to embark on change. It might also be influenced by the fact that senior executives do not see the need for fundamental change, misreading the extent of change required of their organisation. This was the case for GM for many years, although the unions, the labour leaders, were equally reluctant to embrace the necessary level of change (see Illustration 2.6).

## ILLUSTRATION 2.6

### Transforming GM

#### 2000–2005

General Motors (GM) is one of the world's largest car manufacturers producing well-known brands such as Vauxhall, Chevrolet and Buick. Its legacy resides in the US, particularly Detroit, where it has an iconic status. Since 2000, and under the leadership of CEO and Chairman Rick Wagoner, challenges started to emerge, evident in a loss of market share and market value of 74 per cent. This was particularly due to the competition from Asian car manufacturers such as Nissan and Toyota as GM struggled to keep up with their new technology and design. In addition, internal staffing costs around pensions and healthcare further put their cash flows at risk. At the beginning of 2005, GM was in a critical moment when it saw its credit rating drop to the lowest level.

#### 2005–2007

By 2005 the need for change had become evident. However, GM's senior management showed itself reluctant to initiate fundamental change. Indeed, it has been commented that its strategy at one point in the early 2000s was to outlive its workers given that the UAW union was not willing to negotiate changes to benefits and working conditions leaving GM with large pensions and healthcare liabilities. Executives were focused on cost competition

wanting to reduce costs as far as possible in the face of strong unionisation and improve productivity and vehicle quality, until the cost disadvantage from pensions and healthcare had narrowed enabling a more even playing field. The size of the company was also seen as a strategic asset rather than a liability. Meanwhile, however, GM had too many brands all requiring investment and was making more money from mortgages since it was struggling to sell all the cars its factories produced.

The years following 2005 saw some incremental changes under Rick Wagoner. This included selling off smaller divisions and company stakes in other manufacturing companies such as Isuzu in order to increase cash flows. The company also made use of buying incentives schemes for its employees in order to increase sales volumes, while agreements with the union around healthcare costs could be struck in order to reduce GM's liabilities. New and improved car models were introduced in the hope of winning back customers, continuing an emphasis on production. Finally, a reduction of output could no longer be avoided, leading to factory closures, job cuts and early retirement offers for its staff across the United States and abroad.

Other US car manufacturers such as Ford engaged in similar initiatives as they faced lower demand for their cars nationally and internationally. By then

### Illustration 2.6 (continued)

decreasing sales of US cars had become a concern for the US car industry as a whole. GM soon after saw its top spot as the largest car manufacturer taken over by Toyota. At the end of 2006, one of its main investors, Kirk Kerkorian, sold his shares in GM having lost faith in the manufacturer's ability to compete with Asian carmakers.

#### Chapter 11 bankruptcy

While Wagoner's initiatives seemed to give momentary boosts to GM's performance, its downward spiral continued. At the end of 2008, GM expressed serious concerns around its liquidity and talks about a looming bankruptcy started. Together with other US car manufacturers, GM asked for a bailout by the US government which was consequently granted under a 'bridge loan' and required GM to revise its plan for recovery. In March 2009 the new US President, Barack Obama, rejected the revised plan and GM's CEO Rick Wagoner was asked to resign. By May 2009 GM had lost 90 per cent of its market value.

June 2009 saw GM filing for Chapter 11 bankruptcy protection. GM emerged as a new company in July 2009, known as the *General Motors Company*, under the majority shareholdership of the US government. Following the selling of many of its assets such as Saab and Hummer and under the leadership of the new CEO Fritz Henderson, GM could reduce its debts significantly. However, some thought the changes not to be far reaching enough and Mr Henderson was consequently replaced by Ed Whitacre.

#### The reign of Ed Whitacre

The appointment of Mr Whitacre was seen as a cathartic moment for GM by some that would finally transform the complacent and slow to change management culture. One of the first things Ed Whitacre did was to change many of GM's senior management board. Other initiatives followed mainly aimed at making GM's bureaucratic structure

more streamlined, lean and flexible. Managers were empowered in their decision-making and risk taking. Timeliness, speed and efficiency were part of Mr Whitacre's leadership style which he sought to translate into GM's operations. As the level of complexity decreased, accountability increased. At the same time customer needs were put at the centre. In August 2010 Ed Whitacre announced he was stepping down from the role of CEO and Chairman to be replaced by Dan Akerson. At that time GM announced its best quarter of profits since 2004.

#### 2010 to now

For 4 years, Dan Akerson, a previous fund manager, continued the journey of trying to transform GM's culture. He maintained the shift back to GM's core brands and emphasised the importance of technological innovation in new car models. At the focus were also cost-efficiency, continued reinvestment of profits and customer needs. The past was something the company 'will never go back' to.

By the end of 2013 GM's net sales and revenue reached new highs and Mary Barra, the first woman to lead a car manufacturer, was appointed as the new CEO. Similarly to her predecessors she seeks to continue GM's focus on its core operations, increase value for customers and expansion in key international markets.

*Source:* adapted from Ibison, D. and Mackintosh, J. (27 October 2005) 'Toyota set to take GM's top slot', *Financial Times*. Garrahan, M. and Simon, B. (23 November 2006) 'Rebuffed Kerkorian ditches 14m GM shares', *Financial Times*. Sanger, D. E. and Herszenhorn, B.V. (19 December 2008) 'Bush aids Detroit, but hard choices wait for Obama', *The New York Times*. Simon, B. (10 July 2009) 'GM set to emerge from bankruptcy within hours', *Financial Times*, p. 16. Reed, J. and Simon, B. (25 January 2011) 'Adroit in Detroit', *Financial Times*, p. 9. Simon, B. and Reed, J. (7 June 2010) 'General Motors: The marques man', *Financial Times*, p. 13. Welch, D. (02 June 2009) 'GM: A view from the Back Seat', *Business Week*. BusinessWeek.com (8 May 2005) 'Why GM's Plan Won't Work', *Business Week*, <http://www.businessweek.com/stories/2005-05-08/why-gms-plan-wont-work>, accessed 02 December 2014. Economist.com (07 November 2008) 'Surviving the crash', *The Economist*, <http://www.economist.com/node/12582588>, accessed 02 December 2014.

## 2.5.2 Alternative change paths

The change history of GM in Illustration 2.6 illustrates well why companies end up in a path of reconstruction followed by evolution. The company is left with no choice but to engage in reconstruction as a form of radical surgery to regain a position of financial security

from which it can then launch more fundamental transformation. There are, of course, alternative paths of change. Senior executives might be designing change proactively and be in the situation where they can immediately go for an evolution, as was the case for the John Lewis Partnership. They might be undertaking change that only requires an adaptation or a reconstruction as was the case for Amey. Or it might be that although the senior executives are undertaking proactive change the organisation lacks, for example, capability, and so embarks on a phase of adaptation prior to an evolution.

This was the case at Scienceco, a large, multinational scientific instrument company. The Irish plant was established in the late 1970s. In the mid-2000s it employed 1,700 employees and contributed 20 per cent of the group's net sales. The CEO was a paternalistic figure, and representative of the management style at the plant. Scienceco was seen as a good employer as they paid above average wages and also offered a good range of employee benefits. The plant was highly unionised. 85–90 per cent of the 1,600 operatives were trade union members. There had been no industrial action in the plant's history, but this was a result of the approach adopted by the collective bargaining managers, dubbed by some as 'cheque book management' to buy off employee resistance. As a result of this history, the plant's change capability was low and it was not 'change ready'. Furthermore, future investments that were needed to allow the plant to become more competitive and grow would mean in the short term that a third of the operative staff might be made redundant. Thus following an investigation into the plant's receptivity to change, the senior team decided to invest in changes to build more capability for change among the workforce in preparation for anticipated change. They focused on communication and the role of front-line supervisors and production managers, to alter the employees' reliance on the unions as their main conduit for communications and thereby redress the balance of power. For example, the number of shop floor supervisors was increased, 'new blood' was introduced through external recruitment into some of these roles and a Leadership Development programme was initiated.

It may also be necessary, following a transformational change, to move to adaptation, to ensure that the changes are embedded throughout the organisation,<sup>18</sup> in order to sustain competitiveness. Subsequent reconstructions may also be needed. British Airways, for example, has been through a series of re-constructions in the 1990s and the early 2000s as it fights to remain a key player in the fiercely competitive airline industry, culminating in 2010 with a merger with the Spanish airline Iberia described above. These reconstructions are not necessarily foreseen in advance, but illustrate that few organisations can stand still as competitive contexts are constantly evolving, as are ways of competing, and organisations have to evolve with them if they are to remain competitive or, if they are in the public sector, continue to offer adequate levels of service to taxpayers.

For other organisations, attempts at revolution may fail delivering only a reconstruction, necessitating another phase of change. Or earlier reconstruction might not be enough and executives may need to continue attempts to change. This seems to be the case for General Motors (GM), the US American car manufacturer (see Illustration 2.6), and Kodak who became caught in the downwards spiral of reconstruction described above.

### 2.5.3 Choosing a change path

The change path is the first and most important choice, particularly since it is a choice that many organisations fail to understand, failing to grasp the difference between a transformation and a realignment, or if they do, the concept of a change path. The other choices,

such as change start-point, style, target and so on, then need to be made for each phase of the change path.

However, none of these choices can be made without reference to the change context. It is not actually possible to choose a change path just from the end result of change and the nature of change. The examples discussed above mention many issues of context that need to be taken into account, such as time, capability for change, capacity for change (in terms of money that can be invested) and power. All these aspects of context need to be considered to understand if a first phase of enabling change is required and what that enabling phase has to 'fix' or 'reshape' about the context. We will discuss this more in Chapter 4.

The consideration of which change path most suits the change context links back to the discussion in Chapter 1 about context-specific change and the managerial capabilities a change agent requires. We argued that for change agents to be effective at strategic acting, they need to develop their *analytical and judgemental* skills. We have here shown the need for analytical skills in diagnosing the end result of change in terms of transformation or realignment, and then exercising judgement to not leap to conclusions from this about the type of change. The illustrations discussed in this chapter also show the complexity of thinking required to translate change intent into meaningful change activities, and to action these activities to implement the change. This will be illustrated in other examples that follow in Chapters 3 and 4, and will be discussed more in Chapter 5 onwards.

### Summary

A key issue when planning an appropriate change implementation approach is to decide which design choices to take, and particularly to decide on the change path. This chapter has discussed this design choice in some detail. However, choosing which options to take is not straightforward.

- There are four types of change including *adaptation*, *reconstruction*, *evolution* and *revolution*, distinguished by the *end result of change* and the *nature of change*.
- A key factor in determining the type of change is whether the new strategy requires *transformation* or just *realignment*. A good way to think about this is to use a framework such as the culture web.
- The type of change pointed to by just considering the end result of change and the nature of change may not be immediately achievable. This extends consideration of the type of change to consideration of the *change path*.
- The *change path* may involve more than one type of change, for example an enabling phase of adaptation or reconstruction, followed by evolution or revolution, to resolve aspects of context that make the end result of change required not immediately possible.
- Many organisations may be in a situation of apparently requiring rapid change to address performance issues and ultimately a transformation, which suggests a choice of a revolution. Yet few organisations are capable of delivering revolutions, requiring them to consider a change path.

Chapter 3 completes consideration of the design choices. Chapter 4 then considers how to analyse the context, and explains how to create linkages between the context and the design choices.

## Notes

- 1 See Gapper, J. (12 February 2014) 'There is no such thing as the banking profession', *Financial Times USA Edition*, p. 9; The Telegraph (17 January 2013) 'Antony Jenkins to staff: adopt new values or leave Barclays', *The Telegraph*, <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/9808042/Antony-Jenkins-to-staff-adopt-new-values-or-leave-Barclays.html>, accessed 17 January 2013; BBC News (3 April 2013) 'Barclays' Salz Review blames bank culture', *BBC News*, <http://www.bbc.co.uk/news/business-22012261>, accessed 02 December 2014; and also, Barclays (2013) 'Annual Report 2013', UK: Barclays, <http://www.barclays.com/content/dam/barclayspublic/docs/InvestorRelations/AnnualReports/AR2013/2013-barclays-annual-report-final.pdf>, accessed 02 December 2014.
- 2 See CIPD (2013) *Driving Innovation in Local Government*, London: CIPD.
- 3 See Smedley, T. (27 March 2012) 'Business case: Amey', *People Management*, p. 34. Also, Amey UK plc (2011) 'Annual report and financial statements', UK: Amey, [https://www.amey.co.uk/media/1067/2012\\_07-amey-annual-report-2011.pdf](https://www.amey.co.uk/media/1067/2012_07-amey-annual-report-2011.pdf), accessed 01 September 2014.
- 4 See Purkayastha, D. and Chakraborty, B. (2013) 'Air France-KLM's 'Transform 2015' Turnaround Program', *IBS Centre for Management Research*, ECCH case number 313-057-1.
- 5 Wilson, H. (6 October 2014) 'Thousands of jobs to go in Lloyds revamp', *The Times*, <http://www.thetimes.co.uk/tto/business/industries/banking/article4227797.ece>, accessed 6 October 2014.
- 6 For more information on the cultural web refer to Johnson, G. (1998) 'Mapping and re-mapping organisational culture' in *Exploring Techniques of Analysis and Evaluation in Strategic Management*, Ambrosini, V., Johnson, G. and Scholes, K. (eds) Harlow: Prentice Hall. Also see Johnson, G., Whittington, R., Scholes, K., Angwin, D. and Regnér, P. (2013) *Exploring Strategy Text and Cases*, 10th edn, Harlow: Pearson Education; and Johnson, G. (1988) 'Rethinking incrementalism', *Strategic Management Journal*, 9 (1), pp. 75-91
- 7 Edgar Schein gives this definition of culture in Schein, E. (1985) *Organisational Culture and Leadership*, Oxford: Jossey Bass, p. 6.
- 8 See note 6 above.
- 9 See De La Merced, M. (19 January 2012) 'Eastman Kodak Files for Bankruptcy', *The New York Times*. Teather, B. (23 January 2004) 'Kodak pulls shutter down on its past', *The Guardian*. The Economist (14 January 2012) 'Kodak is at death's door; Fujifilm its old rival, is thriving, Why?', *The Economist*. The Economist (18 January 2012) 'How Fujifilm survived', *The Economist*. Hiltzik, M. (04 December 2011) 'Kodak's long fade to black', *Los Angeles Times*. Warman, M. (21 August 2013) 'Kodak tries to picture a future selling nothing to consumers', *The Telegraph*.
- 10 CIPD (2012) *Where Has All the Trust Gone?*, London: CIPD. CIPD (2014) *Cultivating Trustworthy Leaders*, London: CIPD. John Lewis Partnership plc (2013) 'Annual report and accounts', London: John Lewis Partnership plc, <http://www.johnlewispartnership.co.uk/content/dam/cws/pdfs/financials/annual%20reports/JLP-report-and-accounts-2013.pdf>, accessed 02 December 2014.
- 11 Johnson, G., Yip, G. S. and Hensmans, M. (2012) 'Achieving successful strategic transformation', *MIT Sloan Management Review*, (Spring), pp. 25-32.
- 12 Clover, C. (18 July 2014) 'Foxconn seeks to escape the factory line', *Financial Times*, p. 17.
- 13 Balogun, J. and Hope-Hailey, V. (2009) 'Final Report of the Change Management Consortium', London: CASS Business School, City University London.
- 14 There are many sources of information for the change process undertaken at British Airways in the 1980s. Two good sources are Goodstein, L. D. and Burke, W. W. (1991) 'Creating successful organization change', *Organizational Dynamics*, 19 (4), pp. 5-17; and Leahey, J. and Kotter, J. P. (1990) 'Changing the Culture at British Airways', *Harvard Business School*, case number 9-491-009.



- 15 The story of the transformation at General Electric led by Jack Welch is told in Tichy, N. M. and Sherman, S. (1993) *Control Your Destiny, or Someone Else Will*, New York: Doubleday. Also by same authors a summary of the Work-Out programme, (1993) 'Walking the talk at GE', *Training and Development*, (June), pp. 26–35.
- 16 See Fiat S.p.A. (15 June 2014) 'Fiat S.p.A. approves merger plan for the formation of Fiat Chrysler Automobiles', Turin: Fiat S.p.A. Press Release, [http://www.fiatspa.com/en-US/media\\_center/FiatDocuments/2014/Giugno/Fiat\\_S\\_p\\_A\\_approves\\_merger\\_plan\\_for\\_the\\_formation\\_of\\_Fiat\\_Chrysler\\_Automobiles.pdf](http://www.fiatspa.com/en-US/media_center/FiatDocuments/2014/Giugno/Fiat_S_p_A_approves_merger_plan_for_the_formation_of_Fiat_Chrysler_Automobiles.pdf), accessed 02 December 2014.  
Fiat S.p.A. (31 December 2013) 'Annual report', Turin: Fiat S.p.A., [http://www.fiatspa.com/en-US/investor\\_relations/financial\\_reports/FiatDocuments/Bilanci/2013/2013\\_annual\\_report.pdf](http://www.fiatspa.com/en-US/investor_relations/financial_reports/FiatDocuments/Bilanci/2013/2013_annual_report.pdf), accessed 02 December 2014.
- 17 For a discussion of change paths see Beer, M. and Nohria, N. (2000) 'Cracking the Code of Change', *Harvard Business Review* (May–June), pp. 133–141. For other examples see Stace, D. A. (1996) 'Dominant ideologies, strategic change, and sustained performance', *Human Relations*, 49 (5), pp. 553–570
- 18 For a discussion of change paths and other examples of matching change style to context, see for example, Stace, D. A. (1996) 'Dominant ideologies, strategic change, and sustained performance', *Human Relations*, 49 (5), pp. 553–570. See also Beer, M. and Nohria, N. (2000) 'Cracking the Code of Change', *Harvard Business Review*, (May–June), pp. 133–141.

### WORK ASSIGNMENTS

- 2.1 Identify different organisations undergoing change from newspaper articles or another source. What types of change (transformation versus realignment) do these organisations need to implement and why?
- 2.2 List three key characteristics of reconstruction and three of adaptation.
- 2.3 Using Illustration 2.4, Evolution at the Royal Ulster Constabulary of Northern Ireland, consider how evolutions differ from reconstructions and adaptations.
- 2.4 Critically evaluate the suggestion that it is vital for success that organisations differentiate between re-alignment and transformation.
- 2.5 Using Figure 2.4 and Table 2.1 plot a cultural web of an organisation of your choice.
- 2.6 Consider Deutsche Telekom's (DT) Change Path in Illustration 2.5 and construct the change path of a different organisation. How do the two compare?
- 2.7 Consider the following scenario: A construction company that through the years expanded and achieved a leading position in the infrastructure sector has found itself in a complicated situation. Its home country is going through a financial recession, the company's profit has been considerably hit and the company's share price has been drastically declining for months. The senior management team decided to implement a major downsizing plan.  
Having gone through a very quick downsizing period, the CEO however realised that problems persist, and has now launched a programme to implement further change. As a result, the company is now moving away from its historical focus on infrastructure development and is starting to invest more in the booming national housing developing market. Having been characterised as a company that leveraged its government connections to win large national infrastructure contracts, it is starting to emphasise operational efficiency, customer relationships and product quality, as these are key criteria demanded in its new core housing development business. Unexpectedly, it finds itself in the middle of a crisis of the real estate industry, which significantly affects its performance and pushes

it to downsize itself quickly again, while nonetheless keeping its focus on its new housing ambitions.

(a) Which one of the following best describes the company's path of change?

- Adaptation–revolution–evolution
- Revolution–adaptation
- Reconstruction–evolution
- Reconstruction–evolution–reconstruction

(b) Think about your answer in question (a) and provide an argument to support your selected path of change.

## Understanding implementation choices: the additional options to consider

### 3.1 Introduction

Following the introduction of the change kaleidoscope in Chapter 1, Chapters 2 and 3 focus on explaining the different design choices, and the options within each choice, before the contextual features are introduced in Chapter 4. Chapter 2 focused specifically on the change path as this is the most fundamental choice. Chapter 3 now considers the other design choices (see Figure 3.1).

The remaining five design choices are:

- change start-point: where the change is initiated and developed, which could be summarised simplistically as top-down or bottom-up, but there are other choices;
- change style: the management style of the implementation, such as highly collaborative or more directive;
- change target: the target of the change interventions, in terms of people's attitudes and values, behaviours or outputs;
- change levers: the range of levers and interventions to be deployed across four subsystems – technical, political, cultural and interpersonal;
- change roles: who is to take responsibility for leading and implementing the changes.

This chapter discusses each one of these choices in more detail. The essential and important point to realise is that each of these design choices needs to be considered for each phase of the change path identified. If the change path is simply a reconstruction, or even an evolution, then there is only one phase of change to consider. However, if the change is to follow, for example, a classic path of reconstruction followed by evolution, then it is necessary to consider

- 1 which start point, style, target, change levers and change roles for the reconstruction, and
- 2 which start point, style, target, change levers and change roles for the evolution.

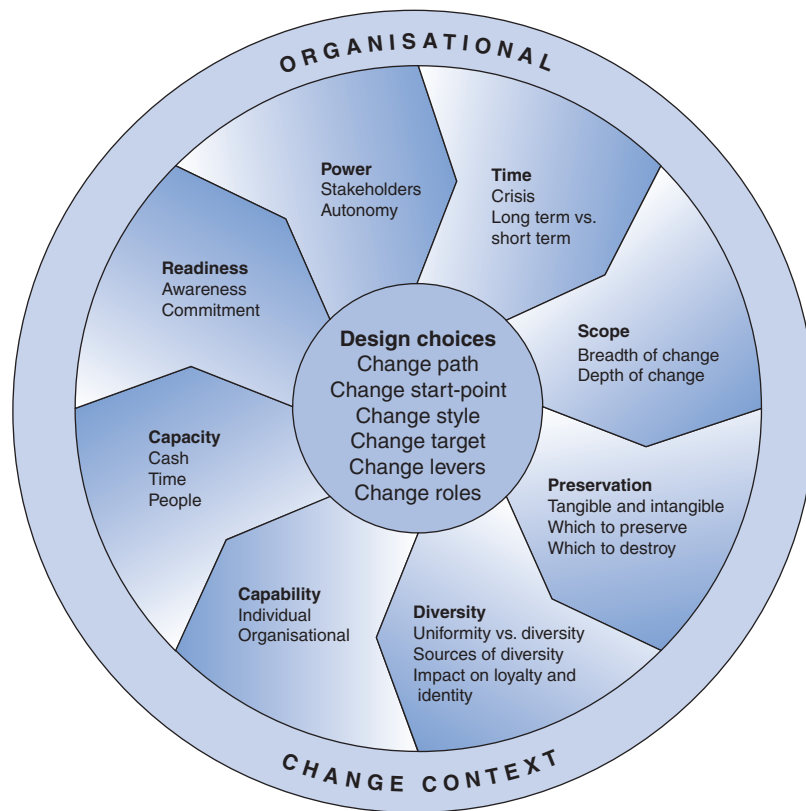


Figure 3.1 The change kaleidoscope

## 3.2 Change start-point

Change start-point refers to where the change is initiated and developed, or rather the locus of control and influence. There are three main approaches – top-down, bottom-up or ‘pockets of good practice’. In addition, whatever the start-point selected, change can also be implemented organisation-wide simultaneously, or more gradually via pilot sites (see Figure 3.2).

### 3.2.1 Top-down change

Much of the prescriptive change literature has emphasised a top-down approach, in which the direction, control and initiation of the changes come from the strategic apex of the organisation. It usually involves a programme of change determined and implemented by the most senior executives or their representatives. We see many examples of this in Chapter 2. For example, when Adam Crozier initiated his 5-year transformation plan for ITV, the UK’s leading commercial terrestrial broadcaster, he recruited new senior managers who then had to lead change in their divisions of the organisation (see Chapter 2, Illustration 2.3). Change at Siemens was initiated and pushed by the new CEO, Joe Kaeser. Adaptation at Tesco has been initiated and then led by the top team. Top-down change is by far the most common approach for change initiation, as the impetus for many change programmes does typically lie with senior executives.

The focus of control and influence during the change process:

- Top-down
  - Bottom-up
  - Pockets of good practice
- } Organisation-wide or pilot sites/prototypes

Figure 3.2 Change start-point

However, although top-down change is clearly driven by the top executives, this does not mean that a top-down change approach never involves others outside the top team in the debate and decision making about what should change. Top-down change initiatives can be combined with more collaborative and participative styles of change as well as more directive (see Section 3.3) since the planning can involve both senior managers and a wider group of individuals within the organisation. Technology is also making participation more feasible and, therefore, more common, even in large organisations. One of the first to make use of large-scale involvement through technology across its global units was, appropriately, IBM. The then new CEO, Sam Palmisano, who took over in 2002, decided to seek employee input to the process when conducting a review of the business in 2003. The senior managers initiated a ‘ValuesJam’ to get input from all employees on what they thought about IBM’s values. As many as 50,000 people logged on and joined the discussion over a 3-day period.<sup>1</sup>

Since then, IBM have extended its use of the ‘Jam’ technology to frequently encourage participation in change (see Illustration 3.4), and many other organisations have made use of IBM’s Jam technology to open up discussions of strategy and change to the participation of others. Illustration 3.1 describes such an example at Nokia Siemens Networks. NSN used the technology to enable fairly extensive involvement of others in a change approach that was still top-down, with the initiation and control staying with senior managers.

### ILLUSTRATION 3.1

#### Involving employees in a top-down change: Nokia Siemens Networks (NSN)

Shortly after the merger between Nokia’s Networks Business Group and Siemens Communications to form NSN in 2006, senior management conducted a ‘Jam’ in order to get input into defining a new, joint culture. The two organisations had strong legacies and established ways of working which needed to be integrated in order to define a clear common vision for the organisation’s future. Both companies had initially launched internal ‘culture squares’ in order to capture employee voices on the merger. Mid-2007 a 72-hour ‘Values Jam’ was conducted during which all employees were connected globally in an online chat room in order express their views on what their

preferred culture would look like. More than 15,000 people participated in this online activity.

The generated data were consequently analysed by over 200 volunteers in order to define common cultural themes and behaviours that would enable the themes to be put in practice. In the final stage, the findings were used to define NSN’s new values which could consequently be translated and applied to a range of organisational processes.

*Source:* adapted from Deering, A., Cook, A., Jonk, G., and van Hall, A. (2008) ‘Internet tools enable organizational transformation from the inside out: the Nokia Siemens Networks Case’, *Strategy & Leadership*, 36 (5), pp. 34–37.

Top-down change may have to be imposed in a directive manner in certain circumstances, such as a crisis or turnaround situation, where there may be no alternative but to deliver a short, sharp reconstruction. In July 2014, for example, Microsoft's new CEO, Satya Nadella, published a memo in which he announced 18,000 job cuts, the largest in the organisation's history. The redundancies are the first step in a wider change programme through which Nadella plans to create a more innovative, bold and ambitious culture while driving production innovation and growth.<sup>2</sup> This very directive form of top-down change design is often used when rapid change is needed since it has the advantage of being speedy to implement. Staff can also feel that there is clarity in the nature of the change, which can be an advantage at a time of uncertainty.

### 3.2.2 Bottom-up change

Emergent or bottom-up change has a very different starting point and logic to top-down change. Responsibility is passed downwards into the organisation to encourage ownership of the change process by employees, and to make change self-generating. This may be because in certain change contexts, a top-down approach may not encourage the needed ownership and commitment to the required changes. It may also be that following earlier changes, it is now time to pass the baton to others in the organisation so that change becomes sustained by on-going initiatives of others. Alternatively, those outside the senior management team may grasp the change initiative generating change in a more bottom-up fashion.

Illustration 3.2 describes such a case. It shows the example of Mission Church, based in the South West of the US, and its journey from being a church that for decades had mainly catered to an affluent congregation, including some of the city's wealthiest inhabitants, to one that radically changed its identity to embrace diversity of race, sexuality and financial status in its membership. The bottom-up and emergent change process was not directed by an intended vision. Yet it led to transformational change, from a 'silk-stocking church' to one that has a more clearly defined identity of embracing diversity and encouraging marginalised groups to join as members. Many of the change steps at Mission Church were small but profoundly bottom-up as church members and the broader population remained active participants in the change process, encouraged and supported by the team of pastors who themselves became active change agents.

Since bottom-up change is an emergent process, it can be much slower to mature than top-down change initiatives. Bottom-up change is also more unpredictable in its consequences as it is subject to interpretation and negotiation by the very staff who put the changes in place. Senior management have far less control over the process.

It is possible to combine a top-down approach with a bottom-up approach.<sup>3</sup> Advocates of this sort of approach argue that certain activities, such as mobilising support for change, may need to be done in a top-down way, whereas others, such as creating a vision for change, can be more participative. The leader of a change effort may be directive about the fact that the departments within a business unit must change to meet the aspirations of the vision. However, the leader then allows each department or section to choose the way in which they want to implement that vision, to ensure ownership and commitment. This is more consistent with an education and delegation change style (see Section 3.3.1 below and the example of Lloyds Pharmacy).

## ILLUSTRATION 3.2

### Changing the mission at Mission Church

Mission Church is based in a large city in the South West of the US, set in beautiful scenery and a hot spot for tourists. Traditionally, Mission Church's congregation had come from an affluent and wealthy population. Over the last decades, however, membership in the church had declined as church goers decided to opt for more suburban churches. A group of young members wanted to find alternative ways for other young people to take part in the church who did not want to join in its traditional programmes. They came up with the idea to offer hot breakfast for homeless people on Sunday mornings which was consequently implemented under the name of 'Café Corazon' and proved to be a great success.

Further initiatives were soon being proposed and implemented by other members of the church and more people signed up as volunteers. This included offering medical advice during Sunday morning clinics, providing legal assistance and job training for homeless people as well as shower facilities. Soon,

Mission Church was receiving financial support for its efforts in the form of city grants, at the initiative of a former attorney and church member, while serving over 20,000 meals a year to thousands of homeless people and treating over a thousand patients. Homeless people started to join the choir and worship, changing the congregation at the church dramatically. The church pastors became involved too. One of them focused much of his attention on the running of what had then been named 'Corazon Ministries' which acted as an umbrella organisation for all the new initiatives. A combination of members of the church, homeless and professional staff was also appointed to the board of this new non-profit organisation, further fostering an inclusive and collaborative approach.

*Source:* adapted from Plowman, D. A., Beck, T. E., Kulkarni, M., Solansky, S. T. and Travis, D. V. (2007). *Academy of Management Journal*, 50 (3), pp. 515-543.

### 3.2.3 Pockets of good practice

The third approach, *pockets of good practice*, is less well known. Change is initiated in one part of an organisation by an individual or individuals within that department or division to, for example, take advantage of a new business opportunity, or to implement new best practice in terms of processes and systems. The department then becomes a pocket of good practice and provides a role model to the rest of the organisation.<sup>4</sup> IKEA, the Swedish home furnishing company, conducts regular reviews across its international branches in order to make sure that the IKEA concept is followed consistently across the globe generating pockets of good practice. Staff members who are involved in the review are encouraged to learn from local experiences while identifying best practices and business opportunities. This may include insights from a new store opening that can be translated from one location to others. Under the responsibility of Inter IKEA Systems BV, a unit within IKEA, these pockets of good practice are then shared with the whole organisation on its intranet or published for dissemination in IKEA manuals. This example shows how multinational companies can ensure continuous improvement by disseminating locally generated knowledge to the organisation as a whole. In turn, this may also lead to increased motivation as staff members appreciate the opportunity to contribute to the organisation more broadly.<sup>5</sup>

Given the piecemeal and gradual change pockets of good practice encourage, it would not be an approach to use to initiate rapid organisation-wide change. On the other hand,

as illustrated by the Ikea example, there are certain situations where this type of change approach can work well. When an organisation is in a phase of incremental change, allowing managers to use their judgement to develop on-going change initiatives may be a useful way of delivering self-sustaining continuous improvement in organisational practices. Sometimes, the practice itself can be the starting point for change. One such example is that of Red Gate, a Cambridge-based software company. Its co-founders purposively created a pocket of good practice when they sent a team of coders on a one-week initiative called 'Coding by the Sea'. The purpose of this initiative was to create space for the team to innovate and develop a product that could be distributed quickly to customers. This was part of a wider cultural change programme through which they sought to engage employees with their work in a more innovative way. As a result, a new tool was developed that sold rapidly among customers. Given its success in fostering innovation, the co-founders decided to expand the 'Coding by the Sea' practice to the entire organisation and now hold regular events where employees are given time to experiment and explore new products and services which are consequently shared across the entire organisation.<sup>6</sup>

It may also be a useful approach in organisations where change management expertise is patchy, or it is hard to gain buy-in to organisational wide change. A danger is that this type of change will only lead to further organisational change if the practices established by the individuals concerned are then copied by others.

### 3.2.4 Pilot sites

Whichever approach is selected, this can be combined with an organisation-wide approach to change, or change based on *pilot sites*. This may initially involve implementing change in just one department or division, or it may be by using a new start-up site. The advantages of pilot sites are many.

- It is possible to test out the impact of new systems and procedures, and iron out any unforeseen faults or problems before the changes are made throughout the organisation. It is also possible to identify and rectify potential and actual problems and weaknesses with the accompanying change management interventions, such as training and communication.
- A successful pilot can be used to mobilise awareness of the need for change and support for the changes in an environment where change awareness is low.
- Pilot sites followed by a gradual roll-out programme reduce the amount of change management expertise and resources needed at any one time. A change team can move from site to site.

For these reasons, there are certain contexts that lend themselves to pilot sites. Organisations that are geographically dispersed, with many similar operations in different locations, such as retailers, are an obvious candidate for change implemented on a site-by-site basis. Large, global organisations may have many different manufacturing sites, for example, or have many local country sales and marketing divisions, which are best dealt with individually as part of an on-going change programme. Both large public and private sector organisations may also have multiple call centres or processing units where, again, change can be introduced at one site to trial a new approach before a more general roll-out.



H&M, the multinational clothing retailer, who has many stores but also many factories, provides a good example. H&M has recently committed to a cultural change programme that makes 'fashion sustainable and sustainability fashionable'. This includes changes in the sourcing of clothing materials, a commitment to ethical management practices such as gender equality at management level, the responsible use of natural resources and offering customers the possibility to recycle their old clothes in stores. As part of this change programme, H&M also introduced the 'Fair Wage Method' in order to address wage disparities across its Asian supplier factories. The approach builds on close collaboration with local sites and the empowerment of factory employees and owners in wage negotiations. H&M is currently piloting this method in three factories across Bangladesh and Cambodia which it calls its 'role model factories' in order to test the effectiveness of the method. The organisation supports its commitment to these pilot sites by having bought 100 per cent of their production capacity for a five-year period as it aims to identify local best practices before implementing the method across its various suppliers and set industry standards.<sup>7</sup>

Illustration 3.3 describes how the NHS Institute for Innovation and Improvement (NHS Institute) adopted a multi-stage pilot approach in the roll-out of 'The Productive Ward' across the NHS. 'The Productive Ward' describes a way of working that engages frontline medical staff to adopt techniques in their everyday work in order to improve time efficiencies and ultimately patient care. The illustration shows how many of the advantages of pilot sites listed above, such as testing out and refinement of the change management approach and toolkit, developing awareness of the need for change and sharing out of change management resources, can be realised.

### ILLUSTRATION 3.3

#### Piloting change in the NHS: The Productive Ward

The Productive Ward: *Releasing time to care* is a long-term change programme, which was commissioned by the NHS Institute for Innovation and Improvement (NHS Institute) from the National Nursing Research Unit (NNRU), Kings College London, in 2005 to improve the quality of patient care and the use of resources in NHS wards. The programme is offered in two packages to NHS trusts including the Accelerated or Standard support packages. The NHS Institute also provides Productive Ward materials on their website which is accessible for all trusts. By 2009, 87 per cent of trusts in the acute sector and 92 per cent in the mental health sector had taken up some form of The Productive Ward programme.

The main goals of the programme are to give back control to frontline clinical staff over patient care, to empower them to question existing practices and to provide them with the necessary tools and training. The programme is built on the principles of

'Lean thinking', and aimed at minimising tasks that do not add value in order to give more time for staff to meet patient needs. Its particular focus is on involving frontline health professionals in service improvements in order to enable change in everyday practices. During the initial design process there were close collaborations between the NHS Institute, nurse leaders and members of the industry. The key benefits as stated by the NHS Institute include skill development, more time for patient care and better experiences for patients, cost efficiencies and greater staff satisfaction by appealing specifically to the intrinsic motivation of healthcare professionals. These are deemed to be particularly important given the pressures for the NHS in the current environment to operate more efficiently at a larger scale without losing sight of patient care.

One of the key elements in the implementation of the Productive Ward was the use of a multiple stage

**Illustration 3.3 (continued)**

pilot approach. By 2006 a prototype package had been developed and four initial hospitals had been chosen to test the programme (including Royal Liverpool and Broadgreen University Hospitals, Basingstoke and North Hampshire, Barnsley Hospital as well as Luton and Dunstable). On these sites, ward staff were given dedicated time to engage with the propositions of the programme and think about potential ways of implementing it. Jointly with a consultant from the NHS Institute, training programmes were refined in order to meet the needs of nursing staff and create consistency between what was important to them and the aims of the training. During the pilot, members of the NHS Institute realised that leadership and support across various levels of the organisation would be crucial in order to enable the success of the programme. As a result, tools such as the Visit Pyramid were developed in order to encourage interactions between clinical staff and executives.

Following the initial piloting of the programme in four sites, the package was further tested in ten 'Learning Partner' Trusts during 2007 and 2008. At this stage the programme was still considered a prototype. Observations from the ten sites were used to further

refine it. In 2007 the first roll-out of The Productive Ward across two whole hospitals (Central Manchester and Manchester Children's University Hospitals and Nottingham University Hospitals). Feedback from these pilot sites enabled the NHS Institute to develop the programme for implementation for an organisation as a whole, while maximising its utility and appeal across the NHS. The findings generated on the pilot sites were also widely disseminated across the NHS during a dedicated Productive Ward conference. In 2008 a £50 million investment into the programme was announced in order to support its roll-out across the country. The evidence collected on the pilot sites, the potential of the programme to deliver valuable change and the commitment from nursing leaders who had been involved throughout provided the basis for this investment.

*Source:* adapted from: NHS Institute (2010) 'The Productive Ward: Releasing time to care™ Learning and Impact Review' [http://www.institute.nhs.uk/images/documents/Quality\\_and\\_value/Productive\\_Ward/PW%20review%20full%20report.pdf](http://www.institute.nhs.uk/images/documents/Quality_and_value/Productive_Ward/PW%20review%20full%20report.pdf) [Accessed August 2014]. NHS Institute (2010) 'Improving healthcare quality at scale and pace: Lessons from the Productive Ward: Releasing time to care™ programme' [http://www.institute.nhs.uk/images/documents/Quality\\_and\\_value/Productive\\_Ward/PW%20scale%20and%20pace%20full%20report.pdf](http://www.institute.nhs.uk/images/documents/Quality_and_value/Productive_Ward/PW%20scale%20and%20pace%20full%20report.pdf) [Accessed August 2014]

There are also disadvantages to pilot sites.

- Each site and department involved in an implementation may be different. Changes made to the implementation approach to mitigate against the problems identified in one site may not be suitable for another site.
- The time it takes to run a pilot may give opponents of change more time to build their resistance, particularly if there is not a strong and powerful backer of the changes.
- The use of pilot sites creates a prolonged period of change, and therefore uncertainty for staff, and the need for the use of parallel systems and processes for the organisation.
- Organisations have found it difficult to transfer changes made at new Greenfield sites to existing sites and departments.

### 3.3 Change style

The style of change is to do with issues about how the process of change is managed. There are many different classifications of change styles, but broadly change styles can be seen as sitting on a continuum from coercion, in which change is forced on people, to education and delegation in which change is delegated (see Table 3.1)

Table 3.1 Change style continuum

Education	Collaboration	Participation	Direction	Coercion
Use small group briefings to discuss/explain change. Aims to equip employees with an understanding and an ability to initiate changes	Widespread involvement of employees in decisions about both what to change and how.	Involvement of employees in how to deliver change.	Change leaders take decisions. Leaders use authority to direct change.	Use of power to impose change

The descriptions of the different possible change start-points in Section 3.2 above, and the examples provided, reveal that these different change styles can be combined with different change-start points. The key is to realise that just applying recipes is dangerous. As we have already illustrated in Section 3.2 above, top-down change is not always directive although the words ‘top-down’ and ‘directive’ are often associated with each other. Similarly, bottom-up change may not always be collaborative. Whether or not top-down change needs to be directive depends on the context. We say more about how the context influences choice of start-point and style in Chapter 4. For now we turn our attention to explaining the different styles of change and how they may be combined with the change start-point. Each of these different management styles also has advantages and disadvantages (see Table 3.2).

### 3.3.1 Education and delegation

Education and delegation involves convincing employees of the need for change through means such as training, gaining their commitment and support for change, and then delegating change to them. This may involve more than just talking to employees. It could involve, for example, sending managers on benchmarking visits to other organisations to learn how things could be done better and then expecting the managers to implement the ideas and opportunities they identify. This remains a less common change style, but is powerful in the right contexts. Following his appointment in 2011 as the new managing director of Lloyds Pharmacy, Tony Page, found himself in the middle of a rapidly changing sector. Changes in legislation which expanded the role of pharmacists, and adjustments to funding as well as increased competition from supermarket chains, meant that the organisation had to change how staff engaged with its customer base. In order to do so the senior management combined a number of education and delegation initiatives into a programme named +ONE, by designing a comprehensive two-day training programme for 1,500 store supervisors teaching them about the new service standards. These supervisors were then asked to coach the organisation’s 12,000 store staff in the new standards to deliver them across the company. To overcome potential problems with this approach, namely that staff may not take the initiative following the training, operational support managers received professional coaching workshops to go out to pharmacies and ‘coach the coaches’ in order to ensure that the change initiative was implemented across all pharmacies.<sup>8</sup>

This change style is easily confused with collaboration and participation. However, education and delegation is more to do with equipping employees with an understanding, and

Table 3.2 Styles of managing change

Style	Description	Advantages	Disadvantages
Education and delegation	Convincing employees of the need for change through, for example, training, in order to develop their understanding, get their commitment and delegate change to them.	Spreads support for change goals and encourages ownership in those the design of change is delegated to. Also ensures a wide base of understanding.	High time investment and cost. May be difficult to create commitment to action. Employees may appreciate training but may not want to act. Alternatively may lead to patchy change as some act in their part of the business and others do not.
Collaboration	Widespread involvement of the employees on decisions about what and how to change. Asks employees for contribution to both setting and achieving goals.	Spreads support and ownership of change by increasing levels of involvement. Can be used to bypass resistance and create awareness of need for change.	Time consuming. Little control by senior management over decisions made. Potential to create negative reactions when employee suggestions are not taken up. May lead to within paradigm change.
Participation	Involvement of employees in how to deliver the desired changes. May also include limited collaboration over aspects of the 'how' to change as opposed to the 'what' of change.	Again, spreads ownership and support for change, but within a more controlled framework. Easier to shape decisions.	Can be perceived as manipulation. May be time consuming but less so than collaboration.
Direction	Change leaders make the majority of decisions about what to change and how. Differentiates 'thinkers' from 'doers'. Use of authority to direct change. Employees only invited to contribute in a limited way.	Less time consuming. Provides a clear change of direction and focus. More control over direction and content of change.	Potentially less support and commitment, and therefore proposed changes may be resisted. Change may only be rhetoric and not embraced through behaviours.
Coercion	Use of power to impose change.	Allows for prompt action. Can be the most efficient solution in situations of crisis.	Unlikely to achieve buy-in without a crisis. May promote change superficially rather than enabling actual change.

then encouraging them to use their learning to propose and implement change projects supportive of the organisational change goals through their own initiative. Whereas collaborative and participative change typically involves those leading the change in setting up, for example, workshops, that encourages others to get involved, education and delegation involves change literally being passed to (educated and trained) others to initiate and lead. These others are either a change agent group who will then initiate and lead organisation wide change as a group, or they are individuals who after training will be dispersed to lead change in their parts of the organisation. Although this change style can encourage

significant engagement from the individuals charged with delivering change, problems associated with it are as follows.

- It can be difficult to generate commitment to action from it. Workshops and seminars can be seen as an interesting exercise, and fun to do, but change will only occur if a series of explicit actions are identified and carried out.
- It can be necessary to inject some energy, emotion and direction into the process. Otherwise, an awareness of the need for change may be developed, but this awareness will not translate into a commitment to doing something about it, especially if there is no onus on senior managers to take note of ideas that arise and act on them.
- It can be very time consuming and costly if there are large numbers of employees to be trained.
- It can result in patchy change. If a multinational company adopted this approach, training local managers to initiate and lead change locally as appropriate against a new set of global priorities, some may act on this and others may not.

#### 3.3.2 Collaboration

In collaboration, there is widespread involvement of employees in both what to change, and how to deliver the needed changes. Employees are asked to contribute to both the goals set for change and the means of achieving those goals. This is often through participative face-to-face meetings, such as workshops or focus groups, in which, for example, consultants introduce participants to analytical tools and frameworks that can provide new insights on the participants' business and lead to identification of the critical change issues and an explicit consideration of actions to be taken, and by whom. At Southend-on-Sea Borough Council (see Chapter 2, Section 2.2.2), Rob Tinlin, the new CEO, committed himself to a cultural change programme known as the 'Inspiring Programme'. This programme included cultural enquiry workshops linking different groups and levels across the organisation, encouraging a collaborative definition of the new culture and shared responsibility and purpose. In order to encourage innovation, staff were also given time away from their everyday job to experiment in workshops with new ways of working. Outside speakers were brought in to deliver inspirational talks which would allow employees to further foster the exchange of novel ideas.

The principle behind collaboration is that the more employees are involved, the more likely they are to support and be committed to the changes that they have helped design, and the more likely they also are to sell those changes to others in the organisation. In other words, collaboration can be used to bypass resistance. Furthermore, collaboration can be used not only to determine what to change and how, but also to create an awareness of the need for change by challenging complacency within the organisation. When Toyota GB, the corporate sales and marketing division of Toyota and Lexus in the UK, faced the need to cut costs following lower demand for cars, they made use of a collaborative approach called the 'One Team' programme. This initiative brought together Toyota's 50 top managers across different functions in order to work collaboratively to find cost efficiencies. As a result functional and divisional silos were broken down, solutions were developed consensually and a greater sense of involvement led to higher buy-in for the decisions that were to follow.<sup>9</sup>

However, collaboration does not have to involve face-to-face situations as the example of NSN above shows. In organisations where employees are widespread, face-to-face collaboration is difficult. In addition, in some cases, collaboration can involve stakeholders outside the organisation, particularly when those have become the organisation's worst critics and hence pose a threat to its brand and performance. This was the case for Gap Inc. who realised the need to change the way it approached ethical issues around its trading practices after having become the target of global protests due to negligent production practices. As a result, Gap moved from a compliance-oriented approach to one that actively engaged with its stakeholders, involving them collaboratively in the design of the change initiative. For example, stakeholders were asked for their advice on how to improve labour practices during a series of stakeholder meetings and their input was drawn upon in defining the company's overall objectives. In order to bring internal organisation and external stakeholders together and facilitate communication, a team of 'boundary spanners' was hired. Gap's change efforts were well received and the high level of stakeholder engagement now means that it is more effective in dealing with potential threats.<sup>10</sup>

Collaboration can be a good management style to use when dealing with professionals, such as hospital clinicians, or even academics, who value the freedom and autonomy they normally have in their work. Such groups of people are likely to rebel against more directive interventions, which they perceive to be limiting their autonomy and their right to have a say in their future. In addition, well educated, highly professional workforces, particularly as expectations of democracy increase in the workplace, are increasingly less likely to respond to top-down direction and imposition without an obvious change crisis which is why organisations such as IBM and NSN used the 'Jam' approach.

However, the following should be considered.

- Collaboration can be time consuming, and is therefore not a technique to use in a crisis situation.
- Employees may not come up with the suggestions or ideas deemed workable by senior managers, so there is a loss of control.
- If employees are consulted and then ignored, this will do more harm than good, as it can raise expectations about what it is possible to achieve. The employees will feel devalued, and perceive the senior managers to be practising tokenism in respect of collaboration.
- The ideas offered by existing employees could be within the existing way of thinking, or the existing organisational paradigm, and the existing way of working within the organisation. This could stifle creativity and transformational change. Some organisations use external facilitators and consultants to challenge ideas and thinking in order to overcome this problem.

Collaboration is often held up as the way to do change, yet as we say above, it may not be suited to all change contexts due to its disadvantages. Illustration 3.4 shows how collaborative approaches such as 'Jams' may also not deliver the expected results, requiring the subsequent adoption of a different change style. They may lead to many useful ideas, but little consensus on a way forward. While IBM was highly successful with using a Jam to build involvement in its values exercise in 2003 as part of its efforts to introduce a cultural shift, collaboration needed to be paired with a more directive approach in this later change process to change the way it commercialised technological innovations.

## ILLUSTRATION 3.4

### IBM – Combining collaboration with direction

IBM is known to involve its global workforce by engaging with them through so-called 'Jams', in order to get input into top management strategic reviews. The first 'Jam' happened in 2003 where employee input was sought in order to define a shared IBM culture. There were more than 50,000 posts, which were analysed through a specifically developed system and the outcomes were used to define IBM's values. In 2006 a second one followed, the 'Innovation Jam'. This time Sam Palmisano, IBM's then CEO, aimed at getting employee input on how to change its existing way of commercialising the technological innovations that were developed by IBM scientists every day.

Even though many ideas were generated, the initial value of the data was limited as conversations tended to evolve in a disconnected fashion rather than building on each other. The consensus that a collaborative approach seeks to build could not be achieved during this first stage due to a lack of dialogue between 'Jam' participants. Valuable insights did still emerge from this activity, but these were mainly developed after the 'Jam' as Senior executives reviewed and discussed the thousands of postings in order to identify 31 'Big Ideas' which were linked to important future-oriented business concepts

(including 'Going Places', 'Staying Healthy', 'A Better Planet', 'Finance and Commerce'). These were then fed into a second round of 'Jams' in order to further revise them.

This suggests that large-scale online discussion platforms are more suitable for the generation of vast amounts of ideas rather than for the refinement of concepts leading to a plan of what should actually be done. Directive action of IBM's senior management was required to get clear, implementable ideas. Consequently, an international team of reviewers analysed the data from the second round and proposed a range of new businesses that IBM could foster. This included the '3-D Internet' or the 'Big Green' environmental business unit. Both of these ideas enabled senior executives at IBM to define a more precise direction for their original aim of commercialising technological innovations. It also led to an investment of \$100 million into new businesses units announced by IBM's CEO later that year.

*Source:* adapted from: Bjelland, O. M. and Wood, R. C. (2008) 'An inside view of IBM's 'Innovation Jam', *Sloan Management Review*, 50 (1), pp. 32–40. Also 'The HBR Interview: Samuel J. Palmisano', *Harvard Business Review*, December 2004, pp. 60–70.

### 3.3.3 Participation

Participation is limited collaboration. The principle that involvement will equal greater commitment still justifies this approach to change. However, employees are allowed only limited involvement in certain areas of change, such as *how* the desired changes can be achieved. In participative change processes, employees may, for example, be told of the overall vision and change goals for a firm, such as to achieve greater efficiency, greater productivity, and to eliminate waste. They can then be asked to think about what they need to do differently if they are going to help to deliver that vision. This was the case for the UK Land Registry, the government department in charge of registering property ownership. Following staff consultation, adjustments were made to what was known as the 'Accelerated Transformation Programme'. This was an initiative aimed at cutting costs and restructuring the department, including staff reductions. While the overall aim of the change process remained the same, staff were given choice in how aspects of the programme were to be implemented. Through this participation, some aspects of the change

plans were changed. For example, by offering a combination of compulsory redundancies and voluntary severance to its members, the Land Registry only closed three instead of the five offices as initially planned.<sup>11</sup>

Participation can also be a particularly good approach to use when there is a group of high energy or more enthusiastic change adopters who can be brought into the change process. This was the case at Gatwick Airport where the HR Director, Tina Oakley, initiated conversations on the airport's cultural change process with a selection of employees (see Illustration 3.5).

Employees may be asked to contribute to just the design and delivery of specific tasks which will assist the overall change process. A series of working parties may be set up to address issues, from new working practices to communications. In some change initiatives participation is literally limited to consultation. Members of the change design team may hold workshops to tell staff of the change ideas being proposed and ask their opinion as a form of input to the process, but this is more a process of keeping staff informed and asking for their approval, than actively seeking input.

Obviously, the participation management style enables the change leaders to retain greater control over the outcome of the change process, as they are setting the overall goals if not the means of achieving the goals. Unfortunately, it may be seen by employees as a type of manipulation, an attempt to pay lip service to employee involvement, particularly if participation is limited, or employees are told what outcome is expected from a workshop, or whatever type of forum is used to achieve their participation. Participation can also be a time-consuming way of delivering change, although less so than collaboration.

### 3.3.4 Direction

A change style is directive when those leading change make the majority of decisions about what to change and how, and they use their authority to *direct* the achievement of change. This approach effectively separates the thinkers from the doers. The thinkers come up with

#### ILLUSTRATION 3.5

##### Participation at Gatwick Airport

When Gatwick Airport, London's second largest international airport, embarked on a change project to make it London's airport of choice, senior managers perceived it to be essential to consult with their employees to get their buy-in. This initiative followed a change of ownership from the airport operator BAA to Global Infrastructure Partners (GIP) that established Gatwick Airport as an independent operation. When Tina Oakley, the HR Director, joined she found a workforce that did not feel cared for, was unclear about its responsibilities and operated in a transactional way, focusing mainly on 'getting stuff done'. Her aim was to create a culture which focused more

on the 'how', specifically those behaviours and values that would build strong relationships among managers and employees. As a result, she initiated what was called the 'Big Conversation' where 130 employees were asked for their opinion on what the future strengths of the organisation should be and how these could be achieved. Due to the involvement of employees in the design of the change process and desired future behaviours for Gatwick staff, this form of participation created greater commitment from the workforce when change was put in place.

Source: adapted from Clegg, A. (2012) 'Transforming Gatwick's culture', *People Management*, September, pp. 33-35.



the change ideas and ‘sell’ them to the doers, who are then supposed to implement these plans and the ideas. There may still be an attempt to sell the changes to the employees, to encourage them to buy-in to the changes and support them. There may be, for example, extensive communication effort in which employees are involved in workshops to debate the implications of change for themselves. However, employees are not invited to contribute to the goals or means of change, except in a limited way.

The advantages of this approach are that it is easier to retain control over the direction and content of change, and decision making is faster than it would be under a style which involves consultation. Thus many organisations requiring a rapid change use direction. For instance, many turnarounds involve this style of change, which is also typically top-down (see Section 3.1). Ed Whitacre used direction in the turnaround at GM (see Illustration 2.6, Chapter 2), as did René Obermann at Deutsche Telekom (see Illustration 2.5, Chapter 2). However, while it seems counter-intuitive, bottom-up change could also be directive, since employees could through, for example, strike action, force changes on management. Illustration 3.6 below reveals how bottom-up pressure in the form of protest and strike action can be used to block change, but it could equally well be used to push bottom-up change through.

Even when rapid change is required, it may not be possible for those leading change to impose it. For example, senior partners leading change in partnership organisations, such as professional service firms, where partners are joint owners of the firm, may have limited power to impose change on other partners. They may have no choice but to rely on a collaborative approach that triggers questioning and challenging of the status-quo, such as workshops and feedback, to encourage others to recognise and agree to the need for change. Once the partnership generally have agreed the need for change, it may be possible to be directive with others in the organisation.

This example of professional services firms illustrates, as already pointed out above, that the context determines the type of style that is likely to be effective (see Chapter 4), and that the approach may be different for different groups of staff. There are two disadvantages of direction.

- The lack of employee consultation and involvement might create more resistance to the proposed changes. As a change style it is more likely to be suitable in an organisation which is either in crisis, or in which there is a widespread awareness of the need for change.
- An imposed change process may result in impressive rhetoric about change from senior managers within an organisation, with little change in actual behaviour or job and ultimately organisational performance. Staff may find it easy to repeat the language of the change process without really embracing the change at an emotional or behavioural level.<sup>12</sup>

#### 3.3.5 Coercion

Coercion is an extension of direction. Here change is imposed on staff, rather than staff having the idea of change sold to them. Elements of René Obermann’s approach to change at Deutsche Telekom (see Illustration 2.5, Chapter 2) verged on coercion. His plans to transfer parts of the customer services operations into independent service companies were in particular resisted by the unions and created much resentment among the workforce leading to security being called into one management-workforce meeting. Obermann responded to increasing resistance with tough rhetoric that raised the spectre of the break-up and sell off of DT to foreign ownership if plans to deal with the company’s financial issues were not

pushed through. In negotiations with the unions he threatened to sell off the service units if the unions could not agree with him a way forward.

Coercion is thus a way of achieving rapid change. Given the lack of effort devoted to explaining the need for change to staff, or to encouraging buy-in for the changes, this approach is unlikely to work unless it is either associated with a very *real* crisis that is felt by most staff within the organisation, or associated with a situation that would create an even worse crisis that can be used to overcome resistance as at DT. Furthermore, as with direction, unless the coercion is such that all aspects of behavioural change can be enforced in some way, the result may be lip service to the changes rather than actual change, or even greater resistance. Illustration 3.6 describes the case of the Norwegian Civil Aviation industry in which this latter situation happened. Here there was an inadequate sense of crisis for coercion to be accepted. A shift from what was at the outset a participatory approach to implementation through coercion led to resistance from the workforce and the ultimate failure of the change process.

### ILLUSTRATION 3.6

#### When participation becomes coercion: The Norwegian Civil Aviation Industry

In the beginning of 2000, the Norwegian airport management and air navigation services provider Avinor started a change initiative driven by the need to be more efficient in its operations and service provision. This happened within the context of a greater move towards corporatisation proposed by the International Civil Aviation Organization (ICAO). Avinor was to be formed as a private, government-owned organisation from Luftfartsverket, a former government management agency. The change programme was entitled 'Take-Off 05' and its main aim was to reduce staffing costs and to halve the number of air traffic control centres in Norway.

Initially, the change process followed a participative approach. Employees and union representatives were asked to make recommendations on what possible solutions could look like and participated in collaborative discussions with change leaders. This approach resonated with local staff who felt that they had been included in the decision-making processes and hence supported the change initiative. However, a breakdown happened when the senior management announced the final version of the change plan which strongly diverged from previous discussions. It included wide ranging redundancies of 25 per cent of the workforce which were planned to happen shortly after the announcement and the closing of an additional traffic control centre.

For most the severity of the proposed changes came as a shock and consequently led to a breakdown of trust between senior management and those involved in the consultation process. In addition, internally the integrity of employees and unions was challenged by other members of the workforce who believed them to share some of the responsibility for the planned changes. Resistance developed particularly from a group of air traffic controllers who challenged the plan. Despite this development, the leadership went ahead and moved into the implementation phase. A decision, which later resulted in a 'letter of no confidence' in the CEO by Avinor's Board of Directors, a break in communications between Avinor's leadership and the union, and strike action of air traffic controllers which led to the closure of the entire Norwegian airspace for two days. An approach which had initially seemed participative had transformed into a coercive one resulting in resistance, feelings of betrayal and a breakdown in trust. Ultimately this meant that the strategic initiative that should have defined the future of the Norwegian civil aviation industry collapsed.

Source: adapted from Adapted from Lofquist, E. A. (2011) 'Doomed to fail: A case study of change implementation collapse in the Norwegian Civil Aviation Industry' *Journal of Change Management*, 11 (2), pp. 223–243.

## 3.4 Change target

An important design choice requiring consideration is the different organisational levels at which to intervene. These are:

- outputs: the outcome of what people do;
- behaviours: what people do and the way they do it;
- values: the way people think about their work.

Some change processes concentrate on attempting to change the values of employees, others emphasise behavioural change, whereas others may only seek to change the performance objectives or outputs of employees.

### 3.4.1 Outputs

Change can focus on changing the nature of outputs or performance objectives to in turn trigger a change in behaviours. The target is the *outcome* of what people do in terms of managerially determined outputs or objectives, for example, profit margins, hourly sales levels, levels of customer response. This usually involves the redesign of performance measures, such as rewards and control systems.

A focus on outputs is useful when high levels of autonomy are required. Individual, national or functional business divisions may require a degree of independence from the parent corporation in order to manage the change in a way that is appropriate to their specific country's context or the nature of their staff. Alternatively, autonomy may be required by individual staff themselves as in the case of doctors or medical consultants. In these circumstances, prescribing what has to be achieved through changing targets or what is rewarded is likely to be a more suitable target and effective intervention, than any attempt to prescribe behaviours.

A focus on outputs is also appropriate when rapid performance improvements are needed, such as at GM under Ed Whitacre (see Chapter 2). If an organisation is in *crisis* and needs to effect a rapid reconstruction, then financial outcome measures such as profitability and levels of debt will need to be put in place. The desired outcomes might also include hard measures to do with internal efficiency, such as cost reduction, which in turn may be associated with targets such as staff reductions, levels of waste, and cycle times. Furthermore, there is evidence that results-driven programmes, which focus on achieving specific, measurable, operational improvements within a short timeframe, in order to help achieve specific organisational goals, can yield considerable benefits.<sup>13</sup> The achievement of such goals will also provide visible early wins in the change process.

However, care needs to be taken when targeting outputs. For example, the recruitment agency Twenty changed its performance measurement system to become a more 'progressive' organisation with a strong profit focus. They achieved this by giving each of the Directors more accountability for the performance of their segment as well as profit-based bonuses and equity distribution. Making money became the prime motivator and as the CEO acknowledged, meant that those people who did not fit because they wanted to work in an environment that did not solely value 'money', felt they wanted to leave the organisation.<sup>14</sup>

There are other many stories of staff who change their behaviours to meet the new performance metrics, and gain the promised rewards from meeting these new metrics, but change their behaviours in a way that gains the awards in ways other than intended with unfortunate side effects. This continues to be a debate about this in the UK as part of public sector service reform where use of league tables and performance targets has become common. For example, Accident and Emergency units currently have a government set waiting time target of seeing 95 per cent of patients within 4 hours. There are claims that hospitals engage in behaviours that manipulate this data vis-à-vis these targets. For example, hospitals are accused of leaving patients in ambulances in a queue before admitting them into the hospital, to avoid the clock from starting, or transferring them into wards that are located alongside accident and emergency in order to stop hours from being recorded. Although such actions help hospitals to achieve their performance targets, these practices are not in the interest of patient care.<sup>15</sup>

This does not mean that measures should not be set as part of a change process. The warning is that hard output performance targets alone are often inadequate to achieve desired changes outcomes. Furthermore, simplistic measures such as levels of absence may be measuring levels of fear rather than levels of motivation, and may be masking problems. Other, more qualitative measures are often still needed to support and reinforce other interventions. Change outputs can, for example, be used to describe the *behaviours* required of people, how the behaviours of staff need to change on a day-to-day basis, and the types of outputs they are expected to produce in the future. Such more qualitative measures are important because they enable the change agent to devise ways to communicate to staff what is required of them, develop suitable training interventions and assess whether the desired change outcomes are occurring.

### 3.4.2 Behaviours

An alternative approach is to focus primarily on enforcing new behaviours. Those that support this view argue that the individual can only change if the organisational system in which the individual operates is changed. Figure 3.3 summarises this argument.

Programmatic change targets individual attitude change to effect behaviour change.<sup>16</sup> The underlying principle of this approach is that ways of behaving are underpinned by individual attitudes and beliefs. So change should be aimed at individuals and their attitudes. Yet individual behaviour is constrained by the organisational system in which individuals work. Roles and responsibilities, and existing ways of working, force particular behaviours on to individuals if they are to function effectively in an organisation. If individuals learn new attitudes, but are then returned to the old organisational system, they will not be able to practise the new ways of behaving that accompany their new attitudes. If instead the organisational system is changed (task alignment), and individuals are placed in job roles with different responsibilities and different relationships to their peers, subordinates and superiors, this will force them to behave differently, and ultimately to think differently, leading to a change in attitudes.

A focus on work-based behaviours can therefore be used to effect behavioural and accompanying attitude change and maybe, ultimately, value change.<sup>17</sup> Illustration 3.7 describes how Santander UK, one of the UK's leading banks, specifically targeted employee behaviours in customer service interactions through training, recruitment and incentives,

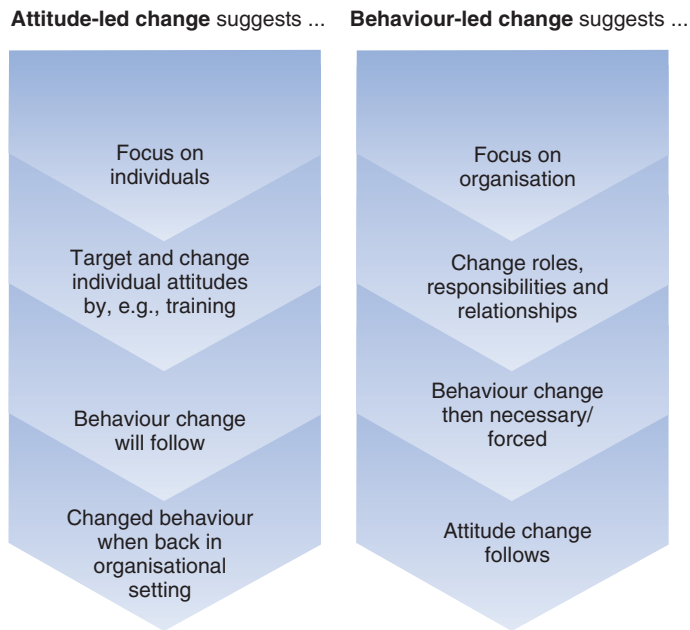


Figure 3.3 Attitudes versus behaviours

### ILLUSTRATION 3.7

#### Changing behaviours at Santander

Following the financial crisis, like many other banks, Santander UK, one of the UK's leading financial services providers although wholly owned by the Spanish Santander Group, faced the challenge of needing to reengage with its customers. In 2010, the number of complaints were high. Many customers criticised the service provided by the bank, leading some to suggest that compared to its competitors Santander was performing as the 'worst bank'.

In 2011, under the leadership of its Chairman, Lord Burns, in order to tackle these challenges the organisation started a comprehensive behavioural change programme under the 'Customer FIRST' initiative. Initially introduced across its Retail division, the purpose of this programme was to improve customer experience by embedding key service behaviours in the daily interactions between staff

and customers across its network. These were built on Santander's service commitments emphasising helpfulness, friendliness, efficiency and a good understanding of customer needs. The programme involved a range of learning sessions for all Branch Managers between September 2011 and February 2012, supported by an external specialist on behavioural training, which would help staff understand customer perspectives and teach them about the behaviours that would enable them to improve customer experience.

Following these sessions, the participating managers were asked to disseminate what they had learned and encourage similar behaviours in their teams, supported by line managers. In addition, greater focus was put on recruiting staff by checking against required behaviours already in the application stage. Staff induction has since been

**Illustration 3.7 (continued)**

redesigned to provide support on behavioural development and behavioural training has been tailored to fit the needs of younger generations. Also, incentive schemes and benefit packages are starting to be adjusted to reflect Santander's commitment to behavioural change.

In 2012, the impact of these activities was first captured by asking 20,000 customers on their experience on a monthly basis. The results were promising. Recently, Santander's Head of UK banking suggested that customer complaints have fallen by 25 per cent compared to 2013 while more customers are switching to the bank compared to any other bank.

*Source:* adapted from: Jeffrey, R. (2014) 'What you can learn from Santander', *People Management*, 25 March, available online <http://www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2014/03/25/what-you-can-learn-from-santander.aspx> [Accessed October 2014]. Santander (2012) Corporate Social Responsibility Report 2011. Available online [http://www.santander.co.uk/csd/vlr/ContentServer?c=SANDocument\\_C&pagename=WCSUKPublicLite%2FSANDocument\\_C%2FSANDocumentPreview&cid=1324569602360](http://www.santander.co.uk/csd/vlr/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSANDocument_C%2FSANDocumentPreview&cid=1324569602360) [Accessed October 2014]. Christie, S. and Hyde, D. (2014) Santander: from worst bank to best bank? *The Telegraph*, 13 March, available online <http://www.telegraph.co.uk/finance/personalfinance/bank-accounts/10816559/Santander-from-worst-current-account-to-best.html> [Accessed October 2014]

to achieve a change in approach to customers from its employees. Through this behavioural intervention, the organisation managed to shift from one of the UK's worst rated banks in terms of customer service to one that currently has more customers switching to it than any other bank.

A target of behaviours may also be used for other reasons.

- Behaviours are an appropriate target in changes involving reconstruction or re-alignment, which require some degree of behavioural adjustment without a fundamental change in the shared organisational values or beliefs.
- The prescription of behaviours may be useful in service outlets such as McDonald's where routinised procedures ensure quality of delivery or product.
- In a crisis situation where there is little time, the enforcement of behavioural change may be an appropriate initial intervention, since value change can take a long while to develop.

### 3.4.3 Values

Interest in values as a lever for change was particularly strong in the 1980s, associated as it was with developments in human resource management and the increasing popularity of culture change programmes.<sup>18</sup> In the 1980s, the belief was that if employees could be made to adhere to a predetermined set of corporate values, they could then be given licence to innovate freely. In other words, by prescribing shared values, appropriate employee behaviour would emerge in such a way that there would be less need for bureaucratic rules and regulations. Appropriate values would drive appropriate behaviour, reducing the need for other types of managerial controls on employees.

However, the evidence shows that this approach can be fraught with difficulty in certain organisational contexts.

- Many espoused value statements are devalued in employee eyes if these are not reflected in changed behaviours, particularly from senior managers. So values such as ‘individuality’ or ‘people are our greatest asset’ quickly became relegated to meaningless slogans in many companies.<sup>19</sup>
- An emphasis on managing values may lead to staff feeling manipulated or brainwashed, which can result in cynicism about the values themselves.
- The acknowledgement of all kinds of diversity within organisations may undermine the attainment of a common set of values. In hospitals, for example, there are consultants, nurses and managers, each with their own professional allegiances, and different professional values, identities and motivations. Can common values be achieved across such diverse professional and occupational groups, or for that matter, different national cultures or business divisions?

In addition, some organisations feel that the dividing line between organisational values and individual values is hard to define. They therefore feel uncomfortable with this level of intervention, and question the legitimacy of trying to alter something as personal to an individual as their set of values. Yet if an organisation needs to achieve fundamental, transformational change, this by its very nature requires a change in the assumptions and beliefs shared by the organisation’s employees. Thus there are circumstances where targeting values, or the shared assumptions and beliefs, is appropriate. This was why Barclays’ CEO Antony Jenkins (see Chapter 2, Section 2.2.2) initiated fundamental change in 2013 with the ‘Barclays Way’, which included a focus for staff on new values to do with respect, integrity, service, excellence and stewardship.

Yet value change is a difficult thing to achieve, and targeting values is not the same as putting up value statement posters or issuing pocket-sized cards with the values printed on them. Unfortunately, however, many organisations do believe that to get values change the development of a communication package around a set of new values is sufficient. See Illustration 3.8 which describes a fairly typical approach to values change. This organisation did not only not follow through on their planned programme, but as is so often the case, the managers didn’t put in place any supporting changes to performance management systems, work practices and environment, or leadership behaviours. Change through a focus on employee values requires an intensive focus on personal development programmes supported by organisation-wide change. This is discussed next in Section 3.5.

### ILLUSTRATION 3.8

#### When targeting values doesn’t lead to change

Technocom (TC), a Scandinavian company, was created as a stand-alone entity from its parent organisation in 2001. TC produced sophisticated systems and applications for its parent company and had potential to market its applications to

other companies. Given its origins, TC was research-oriented with an engineering-led project culture that placed importance on technological advancement rather than delivering a quality product on time, to budget. It was decided to launch a culture change

**Illustration 3.8 (continued)**

to address the perceived lack of market/customer orientation.

TC hired consultants to help with the culture change project. One of these ran a series of culture workshops with 80 senior managers to form an agenda for the culture change programme. The workshops engaged in activities such as SWOT analyses and looked at leadership behaviours as well as other aspects of the organisation. A target culture was developed at the end of the workshops by the consultant and the Chief Technical Officer (CTO). However, the consultants were not retained and responsibility for the programme was passed to HR. They refined the target culture to consist of a 'winning culture' with three business drivers (excellent customer relationships; magnificent technology; powerful teamwork) and five shared values: Our way of working – commitment; leadership – trust and inspiration; communications – openness; decision making and rewards – empowerment; organisation structure and teamwork – clarity. Each value had attached to it a number of winning behaviours. A communications package, or 'culture kit', was developed with a brochure, individual and group exercises, and a video of the CTO explaining the new vision.

The culture change was launched at a management meeting in February 2002. The next step of the process was a series of workshops for all employees

in February and March run by junior managers using the cultural kit and based on the knowledge they had gained from the launch meeting. The purpose of the workshops was to encourage employees to consider how their behaviour needed to change if the new culture was to be delivered. Feedback was to be collected from the workshops and passed to the senior managers so that the organisation could identify the behaviours that it should stop, keep and change. The feedback was to be presented at a follow-up event.

However, there was never any certainty about how many of the junior managers ran the workshops they were supposed to run. They were no sanctions against those that didn't. Furthermore, action plans that resulted from the workshops that were run were not followed up by the senior managers. In addition, the programme involved no supporting changes to performance management systems, work practices & environment, or leadership behaviours. As a result, the culture change programme had very little impact on the organisation. The CTO subsequently claimed that the purpose of the culture change programme was more to do with creating an inspiration for rethinking than to achieve anything concrete.

*Source:* adapted from Alvesson, M. and Sveningsson, S. (2007) 'Changing Organizational Culture: Cultural Change Work in Practice', Routledge.

## 3.5 Change levers

One of the issues facing any change agent is the range of levers and interventions to use to affect the required level of change. Organisations are composed of a number of inter-connected and inter-dependent parts or subsystems, and are most effective when the major components are in alignment with each other, just like a car engine. Given the inter-dependency of these subsystems, it is difficult to change one part in isolation. Either other parts of the organisation with which the changed part inter-connects will counteract the effect of the change, or the change made will force domino change effects, maybe unforeseen, in the other parts of the organisation. Chapter 2 has already introduced a tool based on these principles – the cultural web. As Chapter 2 explains, the web models organisations through six inter-linked and inter-dependent subsystems all inter-connected with the paradigm.

We show in Chapter 2 how the cultural web provides a way of auditing an organisation's culture, identifying the barriers to change it presents, and building an outline vision for a



desired new organisation. A comparison of the new and old webs gives managers a feel for the extent of change (realignment or transformation) to be undertaken. However, and very importantly, as with other such frameworks<sup>20</sup> what the web shows pictorially is that to achieve effective change, it is necessary to use interventions in *all* parts of an organisation. As Chapter 2 explains, transformational change initiatives, requiring a change in the shared assumptions and beliefs, in particular, are more likely to fail if change practitioners apply a change recipe which concentrates on the use of a range of levers and mechanisms from just one or two of the subsystems that make up the whole. This will be particularly true if these changes are introduced in isolation without considering how they link together to form a coherent change strategy. Consideration should be given to both hard aspects, such as structures and systems, and the softer aspects, such as symbolism and communication.<sup>21</sup>

Illustration 3.9 shows completed present and future webs for the transformation of EveryChild to Family for Every Child (see also Illustration 3.12). In 2001, the Christian

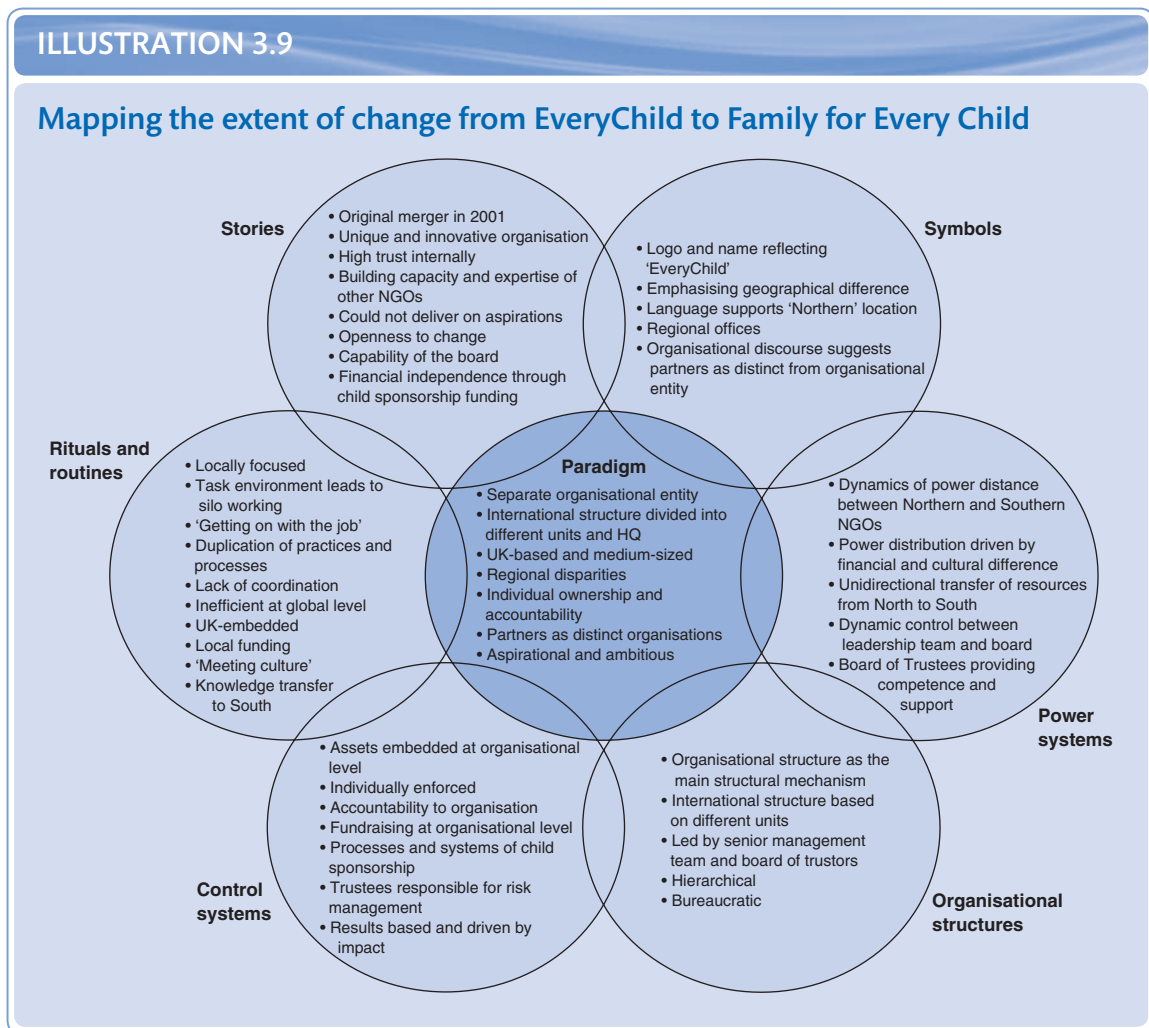
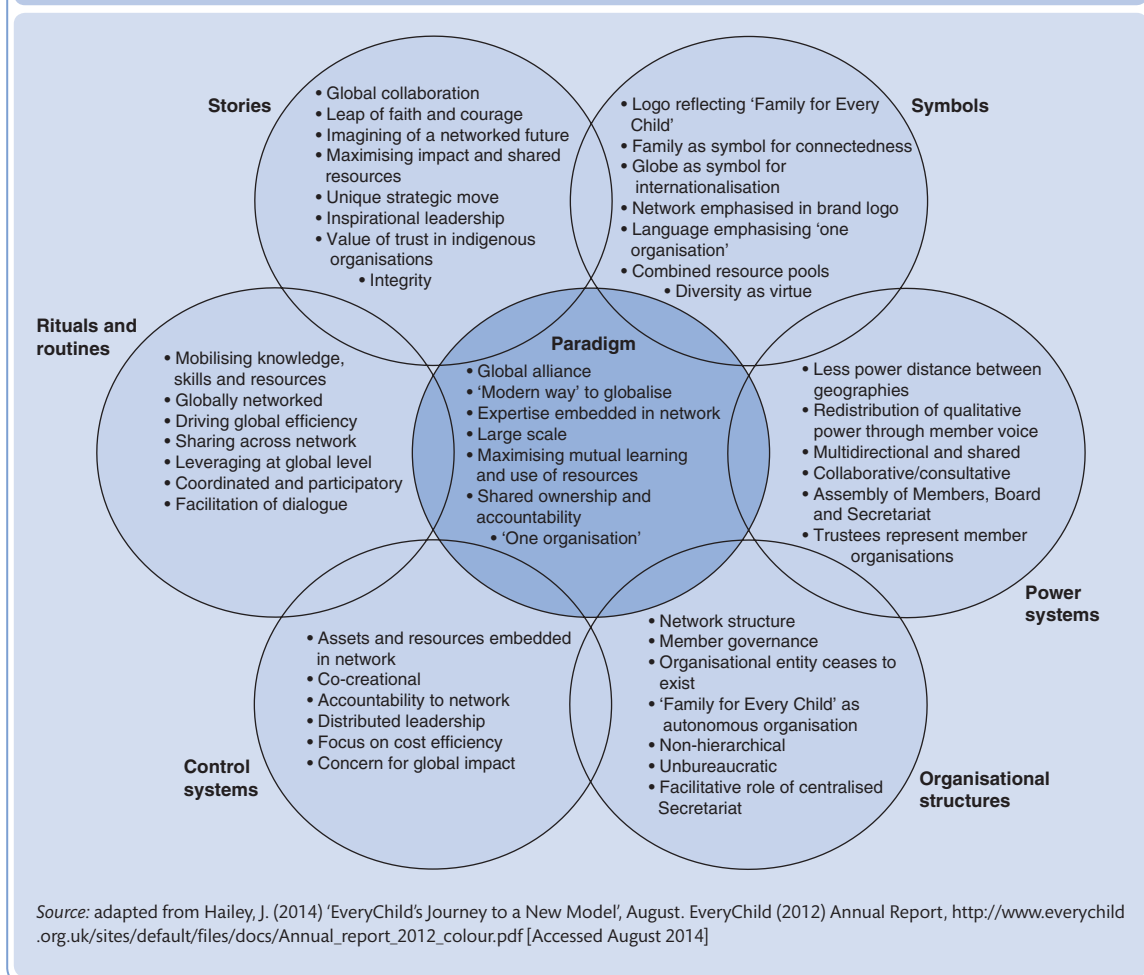


Illustration 3.9 (continued)



Children's Fund of Great Britain and the European Children's Trust, two London-based NGOs, merged into a new entity which became known as EveryChild. EveryChild's vision is of 'a world where every child enjoys the right to a childhood in a safe and caring family, free from poverty, violence and exploitation'. Over the years, EveryChild became increasingly concerned with finding a way to share the vast, but locally embedded expertise with its international partners. This concern eventually led to the development of a fully integrated, member-owned network of national NGOs. The juxtaposition of the current and future webs next to each other shows the extent of change that was required in order for the organisation to move from a separate entity to a fully integrated network model. This change required a fundamental shift not only in terms of the structure of EveryChild but also in how employees thought of their own organisation and its role in the international NGO community. The new paradigm shows that there was a need to transform the organisation from a separate medium-sized entity that was built on individual ownership into a global alliance with shared accountability, which would be operating at large scale. In order to support this transformation, the existing power and control systems and organisational

structure had to change. Yet new stories, symbols and ways of working also had to be introduced in order to effect the necessary behaviour change. Stories needed to change to reflect what the organisation now values and what is historic about how it became a different organisation (e.g. the story ‘a leap of faith’), and new symbols are needed to reflect the changing identity of the organisation from local to globally embedded and connected.

For simplicity’s sake, this book reduces the six subsystems in the web to three – a *technical* subsystem to do with organisation structures and control systems; a *political* subsystem to do with both formal and informal power structures; and a *cultural* subsystem to do with symbols, stories, and routines and rituals. However, there is a fourth subsystem of change levers to consider: the *interpersonal* to do with communication, training, education and personal development. This fourth subsystem is necessary as all forms of change typically require some level of communication and training, which cannot be captured in the technical, political and cultural subsystems. For example, John Lewis Partnership, see Chapter 2, Section 2.4.1, recognised that continuous communication was essential throughout the change process, and senior managers were expected to clear their schedule in order to make time for talking to staff about the meaning and implications of the Branch of the Future change programme.

Yet as Illustration 3.8, ‘when targeting values does not lead to change’, shows, communication and education alone is very rarely enough. Indeed, if training and education is to be a major intervention facilitating change in behaviours and attitudes it requires very significant investment. This was recognised by Deutsche Telekom. In the division T-Home, a service academy was put in place that 2,000 managers, from executives to middle managers and supervisory staff, had to attend. This 8-day training programme included 5 days on building a customer-focused mindset. Illustration 3.10 describes the change process at Airwave Solutions, showing how a combination of interpersonal change levers such as communication, training and leadership development was required in order to transform into a more collaborative and innovative way of working.

### ILLUSTRATION 3.10

#### Change levers at Airwave Solutions

Established in 2000, Airwave Solutions is a UK-based communications network purpose built for emergency services, facilitating communication during critical incidents such as the London riots and international sporting events such as the Olympic Games in 2012. Airwave Solutions is an engineering-led organisation that had always prided itself on providing operational excellence. However, as a result of the budget cuts in the public sector, its clients were asking for creative ideas on how to save costs. Struggling to engage with these changing market demands and to provide innovative solutions, the transformation director, Chris Elliot, saw the need for a cultural

change programme. At the same time, due to a recent reorganisation and redundancy programme, there were high levels of cynicism and suspicion amongst the workforce which meant that any change initiative had to be chosen carefully.

Hence, Elliot and his HR partner, Susan Noone, opted for a participative approach. The first step was to create ‘energise days’ where heads of functions were brought together to discuss the impact of their leadership and become actively part in the change process. The views of their teams played an important role at this stage as 360-degree feedback was used to reflect on potential issues with their own

### Illustration 3.10 (continued)

leadership style. The discussions that evolved as a result brought up some disparities between the current state of the organisation and its desired future. The initiative helped to create greater collaboration across functions, encouraged participants to challenge dominant beliefs and empowered them to start taking more calculated risks.

After having generated the buy-in from the heads of functions, the next step was to get employees on board. Airwave Solutions did so by setting up a range of 'breakfast clubs' where small groups from different functions were brought together, hosted by a board member. The purpose of these meetings was to have open conversations about the good aspects of their work and those that they were challenged with. The board representatives would then try to identify the problems that only senior management could address and offer solutions to them. Having created a platform for conversation between senior leaders and staff members, discussions then became more focused on the company's strategy. The cross-functional approach and the involvement of both the board and employees helped to create a sense of inclusion and the feeling of 'we are in it together'.

The third group that Elliott and Noone decided to involve in order to achieve the cultural transformation were line managers. In order to develop a leadership style that was less about functional and operational aspects, but more about encouraging

innovation and empowerment in others, management action days were organised. During these 'MADs' the change team engaged actors who would act out scenarios where customer relations were challenged when employees did not feel empowered to make decisions. In addition, in smaller groups, the so-called 'mini-MADs', managers came together to discuss specific action plans in a collaborative fashion, where they drew on employee input in order to define the course for action.

Finally, the change team also targeted the organisation's approach to leadership development. A re-assessment of the candidate pool had shown that its current two-stream approach focusing on developing future leaders based on two levels of management was designed to exclude junior people who would often be more creative and receptive to change. As a result, a third track was created that focused specifically on this group.

The annual staff survey suggests that Airwave Solutions' culture has become more collaborative as employees seem to approach their work with a more positive mindset and feel better equipped to do their job. In addition, customer satisfaction has increased and the organisation has been meeting its targets

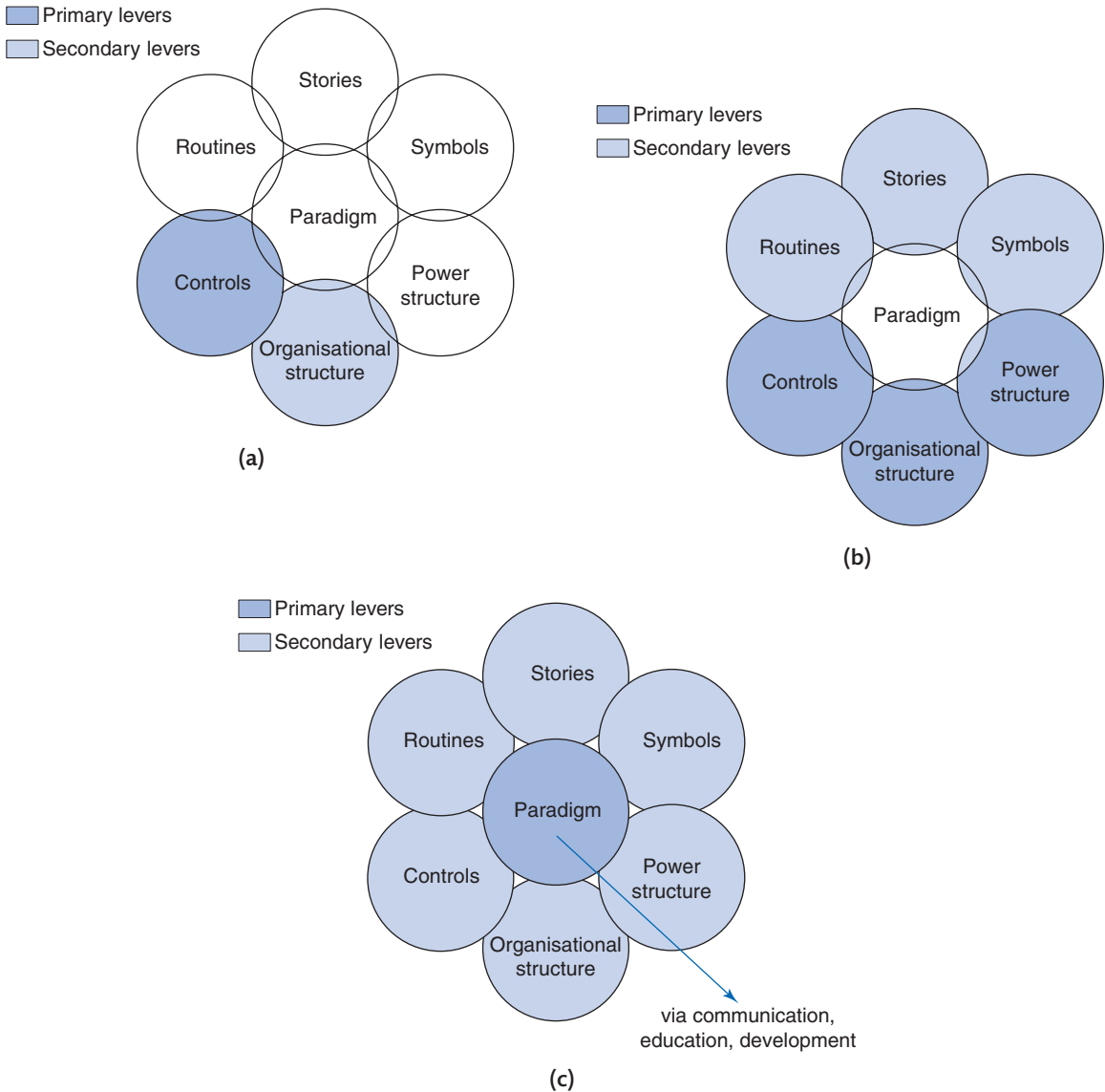
*Source:* adapted from Business case: Airwave Solutions, *People Management*, June, pp. 48–51 (Clegg, A. 2012), with kind permission of Chartered Institute of Personnel and Development, London ([www.cipd.co.uk](http://www.cipd.co.uk)).

Not all changes require a fundamental re-alignment of all subsystems. A change that only involves adaptation, or maybe even reconstruction, does not necessitate a fundamental shift in the paradigm. Thus as the many examples in Chapter 2 reveal, for a reconstruction, the typical focus is on interventions in the technical subsystem to do with structures and control systems. However, if a fundamental shift in behaviours and attitudes is to be achieved, then a full range of levers and mechanisms needs to be used as also shown by Illustration 2.4 on the development of the Royal Ulster Constabulary in Chapter 2, in addition to the examples given here.

It is also likely that earlier decisions about design choices will determine what range of levers should be used. There is a link between the range of levers and mechanisms to use and the change target, as illustrated in Figure 3.4a–c.

- If the target is *change outcomes* then it is likely that this can be achieved by changing rewards and performance measures and targets in the technical subsystem, particularly since this is only likely to be an appropriate intervention target if existing organisational values do not need to be challenged (see Figure 3.4a).

- If the target is *change behaviours* then this is about putting in place interventions to do with at least organisation structure (particularly roles and responsibilities), performance management, control systems to support and measure the behavioural changes occurring, and supportive training to supplement technical subsystem changes with interventions in the interpersonal subsystem (see Figure 3.4b).
- If the target is *change values or assumptions and beliefs*, then the range of interventions to use has to include intensive communication, education, training, and personal development, to help employees understand exactly what is expected of them in the new culture (see Figure 3.4c).



**Figure 3.4** Linking change target and change levers: (a) targeting outputs; (b) targeting behaviours; (c) targeting values

However, the more the target is on *values*, or on *behaviours* with the ultimate intent of driving in new *assumptions and beliefs*, the more there will need to be a simultaneous focus on both the personal development and communication initiatives, and mutually supportive and consistent changes in all organisational subsystems. This includes symbols and routines to ensure there are no contradictory messages sent to staff about the end goals of change. Illustration 3.8 has already shown that when a change has a target on values, the misconception that this can be achieved through communication alone is likely to lead to failure. Illustration 3.11 supplements this and acts as a comparison to Illustration 3.9 on EveryChild. Whereas Illustration 3.9 shows how mutually supportive interventions across all subsystems can facilitate a successful transformation, Illustration 3.10 shows what happens when a shift in behaviours and values is desired, but interventions are piecemeal. Illustration 3.11 describes the attempts of one of the top English Premier League football clubs, referred to as Spartans Football Club (SFC), to transform its culture. The executive team's failure to consistently change all the sub-elements of SFC meant that much of what defined its culture was perpetuated. As a result the intended change failed. Which change levers to use and when is a complicated topic and will be revisited in Chapter 5.

### ILLUSTRATION 3.11

#### Failure to change: The case of an English Premier League Football Club

Spartans Football Club (SFC) is one of the top English Premier League football clubs. Its culture, prior to the planned change initiative, was characterised by 'trust', 'respect', 'togetherness' and 'winning'. The organisation itself had been running successfully but in a small family-type style. In order to create operational efficiency and to become financially sustainable in the long run, the club's senior executives introduced a range of systems and new ways of managing. The aim was to build the 'professional commercialism' of the club, followed by the CEO's motivation in 'developing a new culture of sustainability'. Some of the change initiatives included the creation and appointment of new roles such as the Brand and Marketing Director and Personnel Manager. New IT systems, player facilities and performance management processes were also introduced. Most importantly, the senior executives tried to change people's interpretation of success from merely winning trophies to thinking of success as closely linked to profitability – while winning games was important, so was making money.

However four years on, the general understanding was that the cultural change programme had failed. The club's values had not changed; quite on the contrary the 'new managerialism' had become

the subject of mockery while employees continued to hold on to the club's traditional beliefs and values. The fault seemed to be with the executive team who had failed to understand and address a set of factors which were central to defining SFC's culture: its legacy, its symbols, its subcultural dynamics, its employment practices and the influence of external stakeholders. First, SFC strongly identified itself with its history of past success. However, this was largely ignored in the new management system and definition of culture. Second, existing symbols of the past such as the presence of former players and the club's museum meant that the legacy of the organisation continued visibly as well as in the stories and narratives of employees. In addition, the subculture of the 'team' was particularly powerful which created boundaries for executives and the management team, such as physically accessing particular team sights or events. The respect for the team's voice and its unwillingness to accept the new definition of success also meant that the new values failed to be accepted. Moreover, as employee tenure was high and existing informal recruitment practices largely successful, there was resistance towards new recruitment and performance management

**Illustration 3.11 (continued)**

systems. Finally, the change programme did not consider the role of fans as the key external stakeholders sufficiently enough. Particularly, SFC's die-hard supporters have a powerful voice in how the club is organised by expressing their approval or dismay at the club's decisions. In the context of the change

initiative they vigorously opposed some of the new recruitments the club had made and the decision to take in particular outlets in SFC's stadium.

*Source:* adapted from Ogbonna, E. and Harris, L. C. (2014) 'Organizational cultural perpetuation: A case study of an English Premier League Football Club', *British Journal of Management*, 25, pp. 667–686.

**3.6 Change roles**

Change is only likely to succeed if someone is responsible for leading that change, although it is also accepted that this responsibility may not reside with just one person. A change agent needs to be supported by other change agents. One individual could not hope to manage a major change effort entirely on his or her own. This is not to say that the role of leadership has been trivialised in anyway. Major change efforts in particular are likely to require a champion who shows tremendous commitment to, and enthusiasm for, the vision he or she wants to see implemented in the organisation.

Within change roles there are two choices. It is first necessary to choose the way change is to be managed and the *nature of the change agent role(s)*. It is then necessary to consider *who should fill* the chosen roles. Change always involves leadership in one form or another. However, leadership is a *quality* or a *competence*, rather than a role. Someone can be in a leadership role with formal position power, yet lack the credibility to win the support of those around him/her. Thus all the change roles described here require individuals who can act as leaders, and will be ineffective if the incumbents who take the roles can't. Chapters 6 and 7 say more about these capabilities.

None of the different ways change can be managed are mutually exclusive, and there are pros and cons for each role (see Table 3.3). The primary change agent roles are:

- change champion;
- external facilitation;
- change action team;
- functional delegation.

**Table 3.3** The pros and cons of different change roles

	PROS	CONS
Leadership	Can create drive, determination, and strong focus on the change project.	Leader may not be credible/believed. Leader may not have track record of delivering on promises. Leader may lack time given other operational duties. Leader may lack change management skills/expertise. Leader may be part of problem (e.g. not acknowledging need for change). Multiple leaders in different parts of the organisation may pull change programme in different directions/lack coordination.

	PROS	CONS
External consultants	<ul style="list-style-type: none"> <li>Have experience.</li> <li>Can be objective – carry no organisational baggage.</li> <li>Can be used as a scapegoat for bad news.</li> <li>Can facilitate, to open up conversations about the need for change.</li> <li>Can overcome organisational barriers / politics.</li> <li>Dedicated resource.</li> </ul>	<ul style="list-style-type: none"> <li>Cost a lot.</li> <li>Cannot lead change as not seen as having any stake in the organisation's future.</li> <li>No accountability.</li> <li>May not know the business well.</li> <li>No ownership and need to deliver.</li> </ul>
Change action team	<ul style="list-style-type: none"> <li>Good ownership for change initiatives.</li> <li>Knowledge of organisation and issues.</li> <li>Potentially influential with their peer groups.</li> <li>Sustainability and follow-through.</li> <li>Can involve individuals with change expertise (e.g. organisation development specialists).</li> </ul>	<ul style="list-style-type: none"> <li>Can make design long-winded owing to multiple inputs/ perspectives.</li> <li>Can be time consuming.</li> <li>Can lead to compromises in design.</li> <li>May lack power.</li> </ul>
Functional delegation	<ul style="list-style-type: none"> <li>Use of expertise (human resources, organisation development).</li> <li>Knowledge of area</li> <li>Individuals may identify more strongly with their immediate manager.</li> </ul>	<ul style="list-style-type: none"> <li>Individual(s) may lack power required to intervene in other parts of organisation.</li> <li>May be biased in favour of their part of the organisation.</li> <li>May focus only on their area at expense of others.</li> <li>May lack expertise.</li> </ul>

Importantly, it is common to combine these roles (see Illustration 3.12, which provides more detail on the transformation of EveryChild from a separate organisational entity to a fully integrated network model). EveryChild achieved this through an approach that was highly collaborative involving employees internally and external stakeholders.

### 3.6.1 Change champion

Change is led by a change champion when the success of the change programme is based on a key, pivotal figure. The ‘champion’ may be the CEO, the MD, another senior manager acting as the internal change agent, or another director such as the HR Director. The new CEO of Microsoft, Satya Nadella, or René Obermann at Deutsche Telekom both mentioned previously, would be good examples of change champions.

If the individual championing change is not the CEO or the MD, then they may need to gain the support of more powerful individuals within the organisation if they are to push change through. Alternatively, in bigger or more geographically dispersed organisations, a number of individuals may fulfil the championship role with different individuals leading the change in different parts of the business. In such cases, there may be one overall champion, such as the chief executive, with local change champions in each organisational division or department. For example, when De Beers, the world’s largest producer of diamonds, was faced with decreasing demand during the financial crisis, Gareth Penny, the then Group CEO, relied on the commitment of his CEOs and functional heads, handing them the responsibility to find ways of cutting the budget by 50 per cent from 2008 to 2009



## ILLUSTRATION 3.12

**The journey of EveryChild**

In 2001, the Christian Children's Fund of Great Britain and the European Children's Trust, two London-based NGOs, merged into a new entity which became known as EveryChild. EveryChild's vision is of 'a world where every child enjoys the right to a childhood in a safe and caring family, free from poverty, violence and exploitation'. It is built around principles of togetherness, inclusivity, safety, respect for children rights and child participation in decision-making. Despite its recent formation, EveryChild became concerned that its current organisational model of being a UK-based medium-sized NGO was not the most suitable any more if it was to share its vast but locally embedded expertise with its international partners. Hence, in 2008 it began to establish a global alliance of national NGOs, which were following a common goal – to stop children from growing up alone. It then decided to take a step further and started the process of developing a fully integrated, member-owned network of national NGOs. This change process was not driven by a threat to the survival of the organisation. It was operating very successfully in the NGO sector, facilitated by donations from individual sponsors and grants of larger institutional funders. Instead, this transformation was driven by what the organisation perceived to be its bigger purpose and future vision in maximising its ability to unite children with their families in safe living conditions.

EveryChild invested time in a process that was highly collaborative. A first step, for example, was to identify and invite other NGOs who shared a common vision. A set of previously defined criteria helped in the selection. The chosen organisations came together in several meetings between 2011 and 2014 to engage in collaborative discussions around the future of the network, with their travels facilitated and supported by EveryChild. This participative approach was important in order to start breaking down the power asymmetries between NGOs in the Northern and Southern hemisphere and create an environment of mutual trust and shared ownership.

Internally, collaboration was emphasised as well. Anna Feuchtwang, EveryChild's CEO, together with other members of senior management, facilitated a collaborative approach. This included external facilitation in the form of consultants in order to explore different governing structures and to help identify the potential risks associated with each. In addition, several change action teams were created. For example, dedicated EveryChild staff were assigned to support the efforts as part of an official Network Support Unit. In order to facilitate the transition process a Transition Task Force was also implemented and a detailed Transition plan was defined. In addition, several additional change champion roles were created at different times of the process. These consisted of key directors across the organisation that would foster commitment, continuity and the necessary senior management support. Another key group was the Board of Trustees who provided guidance, support and remained confident in EveryChild's future vision and leadership. In its final transition and implementation phase, EveryChild also engaged an experienced Transition Project Manager externally who was to support the Transition Team.

The transformation was a radical and quite unique move for an NGO as it not only involved working closely together with other members of the network but actually meant handing over assets and resources while at the final stage. In 2017, EveryChild will have completed its transformation process and cease to exist as an autonomous NGO to become Family for Every Child, an integrated network of INGOs.

*Source:* adapted from Hailey, J. (2014) 'EveryChild's Journey to a New Model', August. EveryChild (2012) 'Annual Report', [http://www.everychild.org.uk/sites/default/files/docs/Annual\\_report\\_2012\\_colour.pdf](http://www.everychild.org.uk/sites/default/files/docs/Annual_report_2012_colour.pdf) [Accessed August 2014]; Feuchtwang, A. (2014) 'Broken promises: why handing over power to local NGOs is empty rhetoric', *The Guardian*, 7 February, <http://www.theguardian.com/global-development-professionals-network/2014/feb/07/power-international-ngos-southern-partners>

in their respective parts of the organisation.<sup>22</sup> Similarly, at EveryChild, key Directors who could foster the necessary senior management support were placed into several additional change champion roles at different stages of the process.

### 3.6.2 External facilitation

External consultants may be appointed and play a pivotal role in the change process.<sup>23</sup> This may be in the form of advice, providing change management training, or more active participation. For example, EveryChild made use of consultants during the change process in order to explore different options in terms of governing structures. They also engaged an external Transition Project Manager. Other organisations have a great deal of change capability in house or may even have their own internal consultancy services. In which case, they may not need to bring in external facilitation.

Importantly, while senior leaders in organisations may involve others in the design and implementation of change, they cannot delegate their responsibilities entirely to someone else, and particularly an outsider such as a consultant. When external facilitators such as consultants take over what should have been the CEO's role the success of the change programme is likely to be in jeopardy.<sup>24</sup> Yet transition management is a time-consuming activity, and there may be a trade-off to be made between the amount of time managers need to devote to keeping the business going, and the amount of time they have to act as a change resource. For example, an organisation's MD may decide to lead the change, supported by a change team of other senior managers, but also appoint external consultants to provide advice and assistance, and additional specialist resources as needed. Colt, an international telecoms company, used storytelling to build a united purpose across the organisation when it needed to embark on change in 2010. The company made use of a combination of internal change agents, so-called 'ambassadors', and external facilitators. The external facilitators were consultants who were specialists in designing storytelling processes to support change. The ambassadors were 50 employees charged with the task of engaging leadership across the organisation with the story about the need for change, and to educate them in the art of storytelling.<sup>25</sup>

### 3.6.3 Change action team

A change action team consists of a team of people from within the organisation, appointed to lead the changes. This may be in the form of a steering committee or a task force. If this team does not consist of senior and influential people, the team is likely to need the support of a more powerful individual or group of individuals in major change efforts. Change action teams such as the Transition Task Force were crucial in EveryChild's change efforts. The Board of Trustees formed another type of change action team.

### 3.6.4 Functional delegation

Change responsibility may be assigned to a particular function. This is often the HR department guided by the assumption that HR should play a strategic role in how change is designed and implemented, such as at Gatwick airport (see Illustration 3.5). Research shows that in order to be effective in this role, HR needs to adopt a proactive

position in both content, or the ‘what’ questions of change, for example specific recruitment and development activities, as well as the process of change, or the ‘how’, for example how relations with employees may be managed.<sup>26</sup>

Alternatively if change is occurring in a particular function, the functional head, such as the Sales Director, may carry the responsibility. In major change efforts, unless the function head is endowed with a large amount of authority, or is acting in a supporting role, the individual is likely to need the backing of a more powerful figure such as the CEO. For example, in the case of Toyota GB and the ‘One Team’ initiative, the HR Director Francesco Mereu was not only in charge of HR systems and processes but also carried responsibility for corporate planning and other relevant functions. This gave him the necessary institutional authority to play a key role during the change efforts.

## Summary

A key issue when planning an appropriate change implementation approach is to decide which design choices to take. This chapter has explained that, building on the change path, there are five further design choices a change agent needs to examine – the change style, the change start-point, the change target, the range of change levers, and the key change roles. All of these choices need consideration in relation to the context of change, to avoid the application of simplistic change recipes, and all need to be considered separately for each phase of the change path.

However, choosing which options to take is not straightforward. Within each of the choices there are a number of options, which creates a wide variety of possible permutations.

- The *change start-point* options include not just top-down or bottom-up change, but also some combination of the two or pockets of good practice. These choices can be exercised organisation wide, or within pilot sites.
- The *change style* may vary from highly collaborative to coercive, and is not necessarily dictated by the change start-point. Top-down change, for example, can still be collaborative. The change style may also vary by staff level or occupational groupings.
- The *target of change interventions* may be attitudes and values, behaviours or outputs. However, outputs are often used to indirectly achieve behaviour change, and behaviour change may be used to effect value change.
- The *range of change levers* is affected by the choice of change target, but maybe also other choices such as change style. The range of levers and interventions that can be used includes not just harder technical and political interventions such as structures and systems, but also softer cultural interventions such as symbols and routines, and interpersonal interventions to do with communication, education and training.
- The *change roles* are often some combination of change championship, functional delegation, the use of external consultants, and change action teams. It is also necessary to consider separately the suitability of individuals appointed to the chosen change roles.

None of these choices can be made without reference to the change context. Chapter 4 elaborates on this chapter to explain how to create linkages between the context and the design choices.

## Notes

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- 10 Smith, C. N., Ansett, S. and Erez, L. (2011) 'How Gap Inc. engaged with its stakeholders', *MIT Sloan Management Review*, Summer 52 (4), pp. 69–76.
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- 12 For a discussion of imposed change see Willmott, H (1993) 'Strength is ignorance: slavery is freedom: managing culture in modern organisations', *Journal of Management Studies*, 30 (4), pp. 515–552 as a classic article on the topic.
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- 17 While we know that behavioural change will lead to a shift in accompanying attitudes, as yet there is no evidence that a change in behaviours will lead to value change.
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## WORK ASSIGNMENTS

- 3.1 Consider why examples of bottom-up change are rare in comparison to examples of top-down change.
- 3.2 Consider an organisation with a wide number of different stakeholder groups, like a hospital or a university. Identify the different stakeholder groups and how recognition of this diversity might affect your choice of 'change styles' in implementing change.
- 3.3 Identify three different organisations undergoing change from newspaper articles or another source. What 'change targets' would you select for each organisation and why?
- 3.4 What are the advantages and disadvantages of choosing to target either 'outputs', 'behaviours' or 'values' in managing change?
- 3.5 Using Illustration 3.9 of the before and after webs for EveryChild, and/or Illustration 2.1 from Chapter 2 of the International Bank, consider what technical, political and cultural interventions are needed to deliver the desired change. As part of this, consider the old things that need to change/be removed and the new things that need to be out in place. Also, consider what interpersonal interventions may be required to supplement the technical, political and cultural interventions.
- 3.6 What are the advantages and disadvantages of using external consultants or other external facilitators in the implementation of change?

## Analysing the change context: how context affects choice

### 4.1 Introduction

Chapters 1–3 have introduced the concept of context-sensitive approaches to change, and the change kaleidoscope (see Figure 4.1) as a diagnostic framework that can aid the incorporation of context-sensitivity into change design by enabling change agents to pinpoint

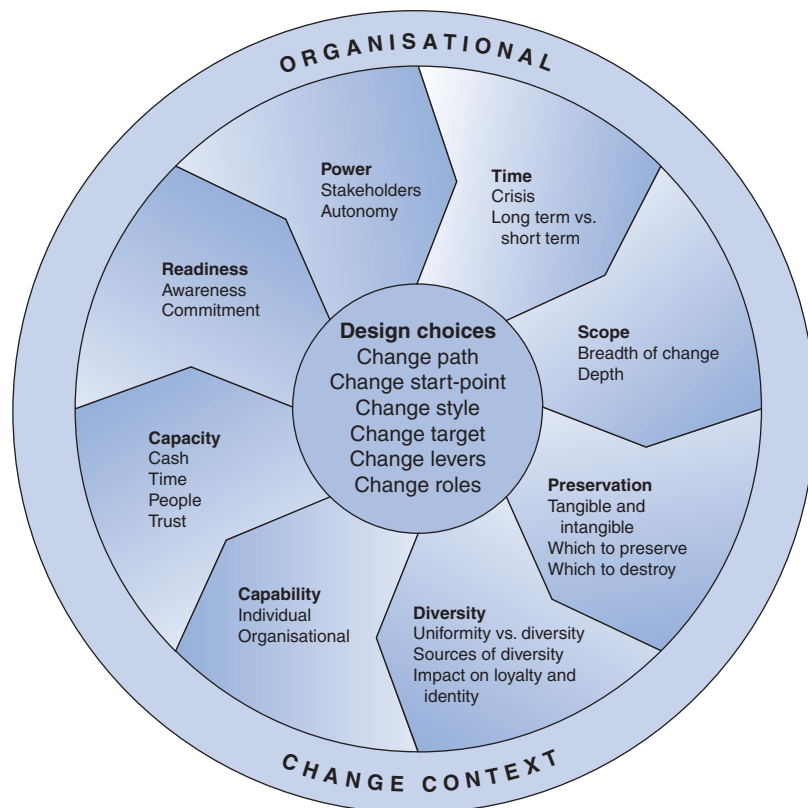


Figure 4.1 The change kaleidoscope

the key contextual features of their change context. Chapter 1 has stressed that successful change, by its very nature, depends heavily on context and circumstance. It is dangerous to apply change formulae that worked in one context directly into another.<sup>1</sup> Even organisations that seem very similar are, in reality, very different. Yet unfortunately the complexity and daunting nature of the change task can make existing models look attractive, and this tempts managers to reach for existing ‘off-the-shelf’ solutions.

Chapters 2 and 3 have explained the different design choices from the kaleidoscope and the options within each choice. Chapter 4 builds on Chapters 2 and 3 by providing the reader with an understanding of how to ‘read’ the context, how to analyse the contextual features in the middle ring of the kaleidoscope, and use an understanding of these contextual features to make context-sensitive design choices. The chapter does this through an in-depth analysis of each contextual feature and the provision of examples to illustrate the implications of each feature for change design choices. The eight contextual features are as outlined below.

<i>Time</i>	How quickly is change needed? Is the organisation in crisis or is it concerned with longer-term strategic development?
<i>Scope</i>	What degree of change is needed? Realignment or transformation? Does the change affect the whole organisation or only part of it?
<i>Preservation</i>	What organisational assets, characteristics and practices need to be maintained and protected during change because they contribute to competitive advantage in some way?
<i>Diversity</i>	Are the different staff/professional groups and divisions within the organisation relatively homogeneous or more diverse in terms of values, norms and attitudes? Are there multiple cultures within the organisation or mainly one?
<i>Capability</i>	What is the level of organisational, managerial and personal capability to implement change? How much experience is there within the workforce of handling a comparable change?
<i>Capacity</i>	How much resource can the organisation invest in the proposed change in terms of cash, people and time?
<i>Readiness for change</i>	How ready for change are the employees within the organisation? Are they both aware of the need for change and motivated to deliver the changes?
<i>Power</i>	Where is power vested within the organisation? How much latitude of discretion does the unit needing to change and the change leader possess? Or are they constrained in their actions by other powerful stakeholder groups such as trade unions or shareholders?

The *Oxford English Dictionary* defines a kaleidoscope as ‘a constantly changing group of bright objects; a tube through which are seen symmetrical figures produced by reflections of pieces of coloured glass and varied by rotation of the tube’. The kaleidoscope does not give predictable configurations that lead to more formulaic change recipes. Instead the pieces of coloured glass, the eight contextual features, remain the same but are *constantly reconfigured* to produce different pictures for each organisational change situation they are used to assess. In addition, it is vital to consider each feature in terms of the whole kaleidoscope analysis. One cannot make design choices based on just one feature, but rather one needs to make choices in terms of the summation of the analysis of all eight features.

Therefore the change designs will vary. Certain features infer certain design choices, but the potential permutations are endless. This chapter can only give a few examples for each feature. The reading of an organisation's change context through careful analysis has to be supplemented with *change judgement*, the ability of change agents to recognise what is unique and specific about their current change context and design change accordingly (see Chapter 1). This chapter therefore aims to help the reader identify through careful analysis what may be the critical contextual features in each change situation (to read the context) and to understand their implications for the design choices by linking the analysis of context to the decisions made about change (to exercise judgement).

## 4.2 Time

Time is to do with how long an organisation has to achieve change (see Figure 4.2). Is the organisation in crisis or is it concerned with longer-term strategic development? Time can also be affected by stakeholder attitudes. Is the stock market, for example, expecting short- or long-term results from change? What constitutes a crisis or a long period of time will vary according to the industry sector. Some industries are very fast moving by nature and so their timescales may be more condensed than others. It is also necessary to distinguish between how much time investors will give an organisation versus how much time they will give a chief executive. In Chapter 2, we describe how Tesco, the supermarket chain, instituted a range of incremental changes which have not brought about the necessary

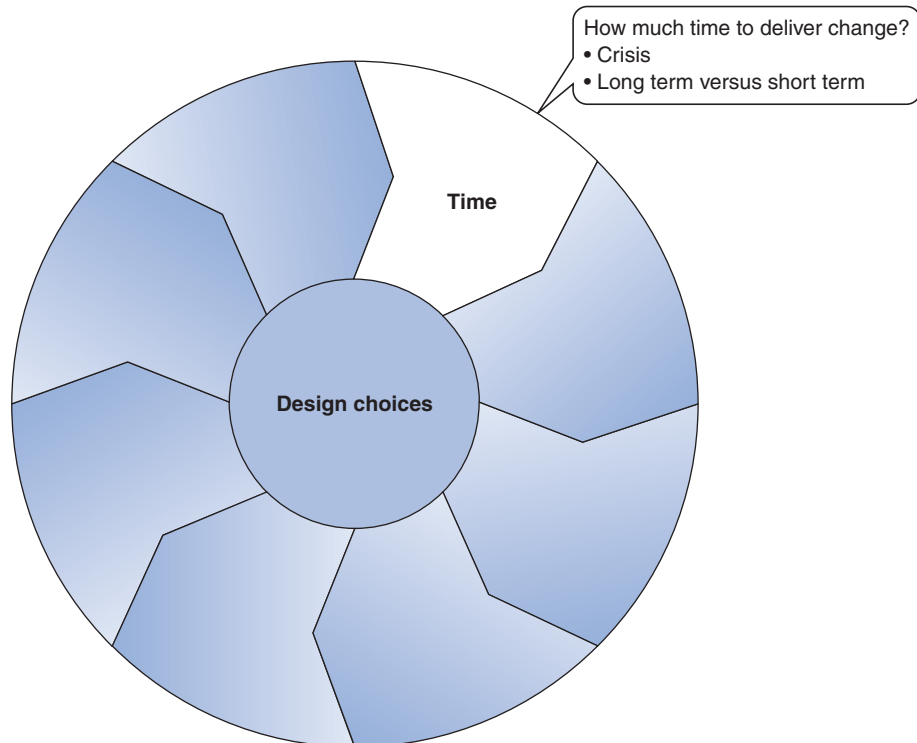


Figure 4.2 Contextual feature: time



turn around in performance, or the transformation others claim is needed (see Chapter 2, Illustration 2.3). Time ran out for Tesco's Chief Executive Officer (CEO), Philip Clark, in July 2014 and as far as investors in the company were concerned he had to stand down, passing the reins to a new CEO, Dave Lewis from Unilever.

### 4.2.1 Assessing time

How much time an organisation has to deliver change should have been determined by the wider strategic analysis informing the decision to instigate change. It relates to the discussion of strategic drift in Chapter 1 (see Section 1.3.2). It may be that an organisation is in a crisis situation, with rapidly declining market share and profitability, and therefore in need of a reactive, rapid turnaround and recovery change process. This may be due to a change in the competitive conditions the organisation is facing, such as the arrival of new competitors and/or the development by competitors of different products and services. Alternatively it could be that an organisation has become complacent and failed to keep up with the trends in its marketplace, continuing instead to pursue strategies still rooted in the ways of behaving that used to lead to success, placing the organisation in an uncompetitive position. Chapter 2 has already discussed companies who are examples of this.

An organisation may also need to implement proactive change rapidly, either to pre-empt fast competitor imitation, or to meet changing customer needs. In addition, stock market and shareholder pressures may lead to the need for rapid change. Illustration 4.1 describes the fast action implemented by GKN, the British multinational manufacturing company,

#### ILLUSTRATION 4.1

##### 'Dropping off a cliff': change during the crisis at GKN

GKN, a long-established manufacturing firm, employs approximately 48,000 people in over 30 countries. During the financial crisis the company was hit hard, and suddenly, by a significant decline in orders. This experience was likened by decision-makers to GKN 'dropping off a cliff' and as such required swift and immediate action. Lacking in preparation for the situation, the only possible steps that GKN's senior management could propose were short-term cost-cutting measures such as plant closures and redundancies. Given the gravity of the situation, a range of quick actions had to be taken. First, GKN stopped all hiring of agency staff. Then, they let go of any temporary staff. Finally, they stopped overtime working. However, these more or less ad hoc initiatives did not result in the required cost savings. Thus, in addition, short-time working and pay cuts had to be initiated.

The unions argued that because GKN was not prepared for this moment of crisis, they had 'cut too deep and too fast' indicating the extent of cuts GKN

had to make. Some of GKN's divisions were to lose 60 per cent of their workforce or see them transferred to other locations. Indeed, GKN had to eventually make use of agency workers again in order to manage its workload as it entered recovery. In addition, some redundancy policies were not implemented and integrated as well as they could have been. Many of the initial steps thus followed a top-down, coercive approach which deepened the already existing tensions between the local plant workers and GKN headquarters. Once the immediate danger had passed, GKN was able to adopt a more consultative approach with its union and staff members in order to engage in a more comprehensive change programme.

*Source:* adapted from Hope-Hailey, V., Searle, R. and Dietz, G. (2012) 'Where has all the Trust Gone?', London: CIPD. GKN (2014) 'News release-GKN plc Results Announcement for the year ended 31 December 2013', London: GKN, <http://www.gkn.com/investorrelations/GKNResults/2013-full-year-results-press-release.pdf>, accessed 13 January 2015.

when swift action was required in response to the sudden and steep decline in customer orders in the midst of the financial crisis.

From a change management perspective a crisis situation such as at GKN can appear attractive. It is easier to start or trigger change when there is an emergency. People seem to overcome their reluctance to change when it is a matter of survival. The needs of an emergency can serve to legitimise methods and measures that in normal times would not be accepted, such as longer working hours, pay cuts or freezes, or redundancy programmes. However, there are also real disadvantages to crisis-driven change management. It is tempting to respond to a financial crisis with short-term measures only, such as strict cost-cutting strategies that may include downsizing programmes. These may appear to deliver a solution to the shareholders, but if the fundamental problems leading to poor performance over time are ignored, then crisis may loom large again in the future, leading to a downward spiral with reconstruction after reconstruction (see Chapter 2, Section 2.3.1). In addition, while crisis may give an organisation's managers the impetus to start change, there may be no cash to invest in the transformation at the very time when it is most needed. Therefore, while senior managers can get more traction for change in the midst of a crisis the risk of waiting for a crisis before starting a change process is that one might not succeed in this scenario. Illustration 4.1 shows that as is often the case in circumstances of crisis, the radical and rapid surgery required short-term has consequences that do not seem desirable longer-term. Furthermore, it should not be assumed that a crisis will create a felt need for change at all organisational levels. The attitude of more junior employees may be that it is the responsibility of the senior managers to resolve the problems.

Some organisations struggle to implement rapid change even when there is a crisis. See Illustration 4.8 below which describes resistance to change in the face of an apparent crisis at the Co-operative Group in the UK, due to the nature of its governance structure and the democratic nature of decision-making. Alternatively, some organisations may have the luxury of time on their side and be able to implement change in a pre-emptive manner, before the organisation is showing many visible signs of decline in competitiveness. In such circumstances there is more time and resource available to invest in a transformation. However, the problem in such non-crisis-driven change situations is how to generate readiness for change. There is no 'burning platform' for change. Why engage in something as risky and painful as change when there is no obvious need? These issues have an impact on the design choices made, and explain why some texts on change advocate the exploitation of, or the creation of, a crisis to trigger change. However, there are alternative choices. When the John Lewis Partnership (JLP) began the change process around the Branch of the Future (see Chapter 2, Section 2.4.1), the organisation was not in a state of crisis. Rather as a result of a major strategic review, JLP's senior management had recognised the need for fundamental change in order to maintain its competitive position for the future. As a result, a great deal of effort was put into the communication strategy in order to explain the reasons why the initiative was needed.

Sometimes, the need for a rapid response is triggered by business practices that lead to a crisis of confidence in an organisation or as a result of tragic events. By August 2014, Tesco, for example, was in more financial trouble than previously assumed, having overstated profits by £250 million for the first half year of 2014. As a result Tesco had to suspend many of its senior executives and subsequently put in place a more radical overhaul of the organisation than expected. The Financial Conduct Authority (FCA), the UK's main financial regulator, also started an investigation into Tesco. Stadco, an automotive supplier who employs 875 people across different sites in the UK, was shocked into initiating change in

2010 by the death of an employee at one of their factories. They embarked on an initiative aimed at changing people's approaches to health and safety and related behaviours.<sup>2</sup>

### 4.2.2 Time and design choices

If there is *limited time* available to the change agent, particularly if the organisation is in a crisis for whatever reason, then some design choices become automatic as was the case for GKN. Initial change initiatives are likely to involve some type of *realignment*, probably via *big-bang reconstruction*, as opposed to a more *incremental* approach, since the immediate need is to stem the decline in the organisation's competitive position. This might involve financial re-engineering, such as selling off non-core parts of the organisation to plug losses (see, for example, GM, Illustration 2.6, Chapter 2). This then buys the organisation the time to embark on a longer-term and more fundamental transformation if this is needed. Chapter 2 describes how this path is taken by many organisations. If there is money available, maybe from a parent group or other stakeholders such as national governments who are prepared to invest in the turnaround process, it may be possible to go for a more revolutionary approach from the start, but this is unusual.

Such *big-bang* approaches, whether reconstruction or revolution, are also likely to be more *top-down* and *directive* in approach, and supported by a *change champion role*. This is partly because there is no time for more participative approaches, but also because the crisis legitimises the action and there is likely to be a greater willingness among staff to follow top management edicts. However, if an organisation needs to change rapidly, but there is not a felt need for change, then again the change agent may need to force change in order to trigger the realisation of the inevitability of action among employees. The *change target*, particularly with reconstruction where the aim is not an immediate shift in values, will be *behaviours*, or even *outputs* to effect rapid change. Change will therefore be delivered via harder interventions to do with structures and control systems, which may include new rewards to incentivise different behaviours.

If organisations have the luxury of *time* then this enlarges the design choices available to the change agent. For instance, they can choose to map a particular change *path* whereby the organisation starts with one form of change, which over time develops into another type of change. Organisations can start with adaptation aimed at increasing the organisational and individual capability for change, and then move into more fundamental and transformational evolution. Similarly when time is not an issue it is possible to consider change processes which are educative, participative or collaborative in *style*. Highly participative or collaborative change processes take time to cascade through an organisation. Indeed, if there is no obvious need for change, such participative approaches may be needed to gain a recognition of the need for, and a buy-in to, change. This was the case for the John Lewis Partnership.

Decisions about the change *start-point* can work either way. If awareness of the need for change is low, then getting the change process started may still require a *top-down* approach. Other contextual features also affect the choice. If there is a low capability for change among staff, then the approach may have to be *directive* in style as well. On the other hand, there may be parts of the organisation that are more ready for change, or have senior managers more willing to embrace change than some other managers, enabling change to be initiated via *pilot sites*. Alternatively, the time for change and the capability for change among staff may allow for the creation of awareness of the need for change, and the development of what should be changed, via a more *bottom-up* approach. Staff diversity

also has an impact here. Even in circumstances where there is a low readiness for change, staff groups that value their autonomy may need to be involved through a more participative approach if they are to buy-in to change.

In terms of change *targets*, when there is more time available and some sort of transformation is required, then it may be possible to target *values*, although of course a change agent could still choose to target *behaviours* to drive in *value change*. This in turn impacts on the change *levers*. Longer-term change interventions, particularly those where the intention is to aid value change, include communication, management development programmes and personal development initiatives such as coaching or mentoring.

Time also affects the choice of change roles. Change agents need to ask whether there is sufficient time to establish and develop a change action team. Also the potential champions of the change – be it the chief executive, the HR director, or another change agent – need to be screened for competence and capability. If they require a great deal of coaching in change leadership, yet there is no time to develop this, then support may be needed from external consultants. If time is available then teams can be established to spread the vision and required changes throughout the organisation.

## 4.3 Scope

Scope is the required outcome of the change, varying from realignment through to more radical change aimed at transformation of an organisation (see Figure 4.3). Whether the whole organisation needs to change, or just one division or department, also affects scope.

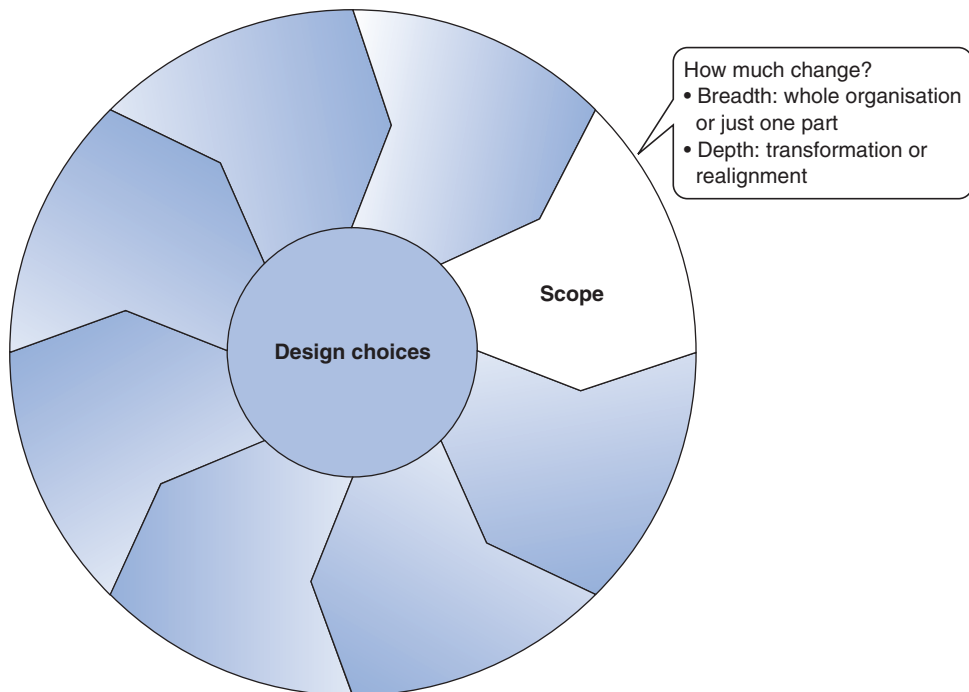


Figure 4.3 Contextual feature: scope

### 4.3.1 Assessing scope

The scope of the change determines just how much change is necessary. There are two aspects to scope – the depth of the change required in an organisation and the breadth of change across the organisation. The *depth of change* is equivalent to the idea of the ‘end result of change’ discussed in Chapter 2 when considering the types of change to be undertaken and the change path. As we have discussed in Chapter 2, one of the most critical pieces of analysis to be undertaken is to carefully scope the extent of the change planned by identifying if the required changes amount to a transformation or are closer to a realignment of the existing business model or structures. For instance, much of the debate within the financial services sector following the financial crisis of 2008 was precisely around this question for the banks. Some CEOs of banks argued that the crisis merely required a readjustment of costs in the shape of job cuts and some divestment. They argued that the existing business models within the sector were not flawed. Other CEOs allied more with governments and regulatory bodies who promulgated a view that the business models, cultures and the structures of the banks needed to be transformed in order to ensure that such a crisis could never happen again.

The breadth of change is the extent to which change extends across all or most of an organisation or just one part. This question concerns formal structures rather than informal cultures. Is change limited to a small department, or a particular national division, or a particular layer of management? Or, alternatively, is it a change process that should affect the whole organisation? This question is important because it concerns investment of resources in change. Although it is tempting to involve the whole organisation in change, it may be that change will be more effectively implemented if some divisions receive a ‘light touch’, whereas others requiring more fundamental change receive greater investment of change agent’s time and other resources.

Many of the problems that emerge in the process of change do so because insufficient time has been spent on thinking about these sorts of issues connected with the depth and breadth of the intended change. Senior managers often underestimate the depth of the change in particular and therefore fail to invest sufficiently or manage it with sufficient care. This is why we have spent considerable time considering this aspect of change in Chapter 2 and have discussed how it can be analysed using a framework such as the cultural web (see Section 2.2.4 and Figure 2.4 in Chapter 2). We show how by drawing up a current cultural web for an organisation, and then an outline web of the sort of organisation needed if the desired changes are to become a reality, the extent of required change can be determined. The two webs provide a picture of how different the future organisation needs to be from the current one. If the change impacts on the paradigm, then the change is likely to be more transformational in nature (see Illustration 2.1 International Bank and also Illustration 3.9 EveryChild).

However, questions about depth and breadth can also be complicated. It might be that a change with a wide breadth, encompassing several divisions of an organisation, may also require a different depth of change in these different divisions. As we discuss in the contextual feature, diversity, below, different functional or national divisions may have different start points and thus each may need to be analysed separately. This may even be true of, for example, different factories in a manufacturing division. Furthermore, although the depth of change maps onto a consideration of whether the end result of the required change is a transformation or realignment as part of the change path, and as such is one of the key

determinants of the type of change, it is by no means the only one. We discuss this in more detail below. Depth of change also impacts on design choices other than the type and path of change.

If the change is to be both broad and deep then sometimes difficult questions must be asked about the level of investment an organisation is willing to, or can, release to make the change actually happen. The merger of the Inland Revenue and the Customs and Excise into Her Majesty's Revenues and Customs (HMRC) in 2005 which formed part of the UK government's public sector transformation programme was such a change. It is the largest public sector merger in UK history. See the case study following this chapter on this merger. The merger was to deliver greater efficiencies through the introduction of a new structure, new technology, lean processing within the administrative processing units and a cultural transformation. Given the scale of the changes but also the size of the organisation (100,000 people), the scope was huge and the change challenge for senior managers was extremely demanding.

### 4.3.2 Scope and design choices

The depth or extent of change obviously impacts on the *type* of change required in terms of *adaptation*, *reconstruction*, *evolution* or *revolution*, and therefore the choice of *change path*. However, other contextual features, such as time, capacity and capability, also affect the change path. If the *scope* of change suggests a need for *realignment* rather than transformation, the other main factor is likely to be time. A short timescale points to reconstruction with the associated design choices described above under time. A longer timescale suggests adaptation, which brings with it a wider range of design choices – again see 'Time' above.

If the *scope* of change points to *transformation*, then the choice of change path is more complex. The discussion above on the impact of time on design choices explains how when in a crisis, an organisation has little time to effect change, and probably a low capacity in terms of cash to invest in the change process, and therefore may need to initially undertake reconstruction, even if the ultimate aim of the change process is transformation rather than realignment. Very few organisations achieve transformation in a revolutionary way. We discuss this in some detail in Chapter 2.

If the organisation has more *time* to effect a *transformation*, or has carried out a reconstruction as a first step on the way to transformation, gaining the organisation more time, then there is a wider range of design choices from which to choose. Illustration 4.2 presents the case of Unilever and an analysis of the scope involved in the Sustainable Living Plan showing the extent to which it ultimately required a transformation. In addition to setting long-term targets for sustainability, greater focus on HR practices that encourage flexibility, diversity and volunteering activities and building sustainability into the development and production of its core products, a broader scope is required in order to change the deep seated assumptions around how business is done in Unilever. Unilever initiated this change proactively in 2010 and thus had time on its side. In 2015, the transformation is still on-going, illustrating the significant investment required to effect this type of change and the length of time it can take even when the organisation recognises and is willing to make the required investment.

However, when needing to carry out a transformation, with or without time on its side, an organisation can still be constrained from revolution or evolution by aspects such as a lack of readiness for change or a lack of capability for change. This may point to the need

for a change path with some sort of realignment first, either with personal development interventions to build a capability for change, and/or the use of maybe more participative change approaches to build a readiness for change. See Section 4.6 on capability and 4.8 on readiness. Alternatively, the power of the change agent to deliver transformation may be limited, in which case early interventions may involve the use of political levers aimed at building support and a stronger power base for the change agent.

## ILLUSTRATION 4.2

### Transformation at Unilever: making sustainability commonplace

In 2010, under the leadership of CEO Paul Polman, Unilever announced the Sustainable Living Plan, a business plan which seeks to fundamentally change the way business is done in Unilever, by fully integrating sustainability into the organisation's business model and making it the driver for organisational growth, innovation and profitability. This plan came following a sharp decline in profits between 2008 and 2009 and sets out three overarching goals: to improve health and well-being of a billion people, to reduce its environmental impact (particularly water and greenhouse gases), and to enhance livelihoods and ensure the sourcing of sustainable raw materials. Unilever has a deep sense of its strong heritage rooted in the values and beliefs of its founding father, Lord Leverhulme, whose mission over 100 years ago was to make cleanliness and sanitation, and therefore health, commonplace amongst the working classes of the UK. Since then Unilever has moved from offering its customers one brand to over 400, from being present in one country to 90, and from employing several thousand people to 160,000 worldwide. As part of the Sustainable Living Plan, the organisation seeks to reconnect with its purpose in making sustainable healthy living commonplace in the world.

The senior management at Unilever has defined a wide scope for this change programme, spanning several years and across all its geographies, policies, practices and systems. In order to ensure its success, Unilever has developed and implemented a range of initiatives, including the definition of a business case as well as a moral case for change, the need to integrate sustainability into the organisation's infrastructure (its systems and processes including accounting processes), bringing purpose to the core of the organisation (into the production

and dissemination of its brands) and integrating sustainable living into recruitment, development and performance practices, while driving leadership advocacy for sustainable living.

First, central to the programme was the definition of a strong business case, which could be communicated to staff and used to educate the organisation at an international scale. This was an important lever because the Sustainable Living Plan describes a break with existing ways of doing business, whereby achieving of sustainable living ambitions would deliver growth and profitability for Unilever. In order for the business case to be convincing, it had to show how the Sustainable Living Plan would drive innovation, cost savings (particularly in the supply chain) lead to better customer relationships, and enhance employee engagement as well as the attractiveness of Unilever as an employer and its ability to retain good talent. In addition to promoting the financial benefits of the Sustainable Living Plan, a strong moral case was also constructed which linked to current debates at a more societal level around the need for businesses to play a bigger role in society. It was felt that the moral case was easier to communicate as a driver for purpose had always been part of Unilever's heritage since Lord Leverhulme and employees could link back to these fundamental values and translate them into a more contemporary context around sustainability.

While the business case and moral case were important to communicate the organisation's vision for the future, the necessity to educate staff and get their buy-in and make significant changes to existing processes, practices and systems, all these changes also had to be undertaken as well. Unilever is on a journey to do this by assessing each function

### Illustration 4.2 (continued)

individually and reworking appropriate existing 'ways of doing things' so that they would align with the purpose for making sustainable living commonplace. At an organisational level, underpinning its mission are a range of commitments which provide Unilever's employees with specific, broken down, longer-term targets to strive for, such as sourcing 100 per cent of their agriculture raw materials sustainably by 2020. In addition, the organisation is also committed to regularly checking progress on its goals and communicating it publicly on an annual basis. This aligns with a greater concern for accountability and governance mechanisms which is part of the change agenda.

Importantly, throughout the process senior management made clear that this was not another Corporate Social Responsibility (CSR) reputation enhancement strategy but instead a transformation of how business is done in Unilever. To support this message, the CSR department was restructured and instead Unilever's key assets, their brands, were used as the custodians for sustainable living. One of their best known brands, Dove, for example addresses the goal of improving health and well-being as it clearly seeks to contribute to enhancing the self-esteem of women by showing women in various forms and sizes under their 'Dove Campaign for Real Beauty'.

Sustainability is also to be built into the development and production of products, such as Persil, to act as a driver to change consumer behaviour towards more sustainability.

Finally, Unilever's Human Resource practices, particularly leadership development and engagement, were used as important levers in order to cultivate leaders who could be agents for change. Recruiting talent who 'buy into' the mission and developing future leaders who are able to lead in an environment of uncertainty is central for Unilever's change agenda. Unilever has also committed to flexible working practices, a diverse workforce and providing the support for staff to engage in volunteering activities.

So far, the sustainability centred approach seems to bring the desired financial results as Unilever has been reporting increasing operating profits since the announcement in 2010, with the latest figure in 2013 at €7.517m. Its share price is up as well. When Paul Polman joined Unilever as the CEO, it was around £11. At the end of August 2014, it was just over £26.

*Source:* written by Stefanie Gustafsson, based on an interview with Geoff McDonald, former Global VP HR Marketing, Communications, Sustainability and Talent.

The scope of change also has implications for the change *target*. Ultimately, if an organisation is to deliver transformation it needs to drive in change to the central assumptions and beliefs in the paradigm, which means that at some stage it may need to *target values*, or at least *behaviours* with the intention of driving in *value* change. This also has implications for the range of *levers and interventions* as explained in Chapter 2, as at some point it will be necessary to invest in education, training and personal development interventions. Illustration 4.2 shows how Unilever used a wide range of HR interventions in their commitment to transform the company, as well as specific targets for sustainable sourcing, and considering appropriate production systems. If an organisation is not cash-rich, however, this may limit the ability to invest in such change levers. In such circumstances it may be necessary to first target behaviours via a full range of levers and interventions, such as structures, systems, routines and symbols, and then support these changes through time with appropriate education and training.

The power of an integrated set of levers and mechanisms to deliver change, and how this is facilitated by significant financial investment, is also illustrated by the change process at the University of Technology Business School (UTS) in Sydney between 2007 and 2014. It made use of a combination of levers and mechanisms during a process of identity change to a more hybrid, flexible, iconic and creative place of research and teaching



that integrates management and design. As a first step the newly appointed Dean shared his vision of making the School a more creative, technological and innovation-driven place through monthly newsletters entitled ‘Think Big’. He also set up training seminars and events to educate people on the topic. In addition, following a large donation, a new building for the Business School was designed by the renowned Canadian architect Frank Gehry. This had a strong symbolic meaning as Mr Gehry was famously known for works such as the Guggenheim Museum in Bilbao and the Walt Disney Concert Hall in Los Angeles. In 2008 and 2009, at a university level UTS also revised its Learning and Teaching Strategy following a review of the learning curriculum. Following from there, in 2010/11 a new MBA and Bachelor degree was designed in the Business School which was based on the new teaching ethos of critical thinking, experiential learning and interdisciplinarity.<sup>3</sup>

The issue of physical spread of change throughout an organisation also brings other dimensions into consideration, as mentioned above. If, for instance, the change is limited to one functional division which is located within one nation state and employing similar types of staff, then the change process is less complex than trying to lead a change over a multi-divisional global corporation. The illustration on Unilever (Illustration 4.2) shows how in order for a change process to be successful on an international scale, a wide scope is required that includes the organisation’s core processes and products.

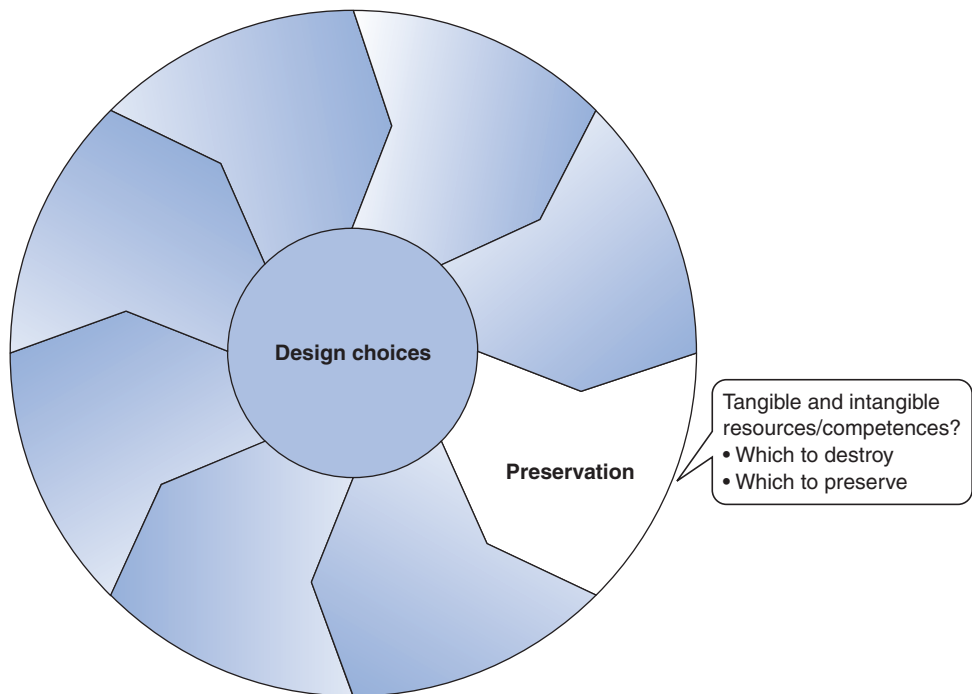
## 4.4 Preservation

Preservation is the extent to which it is essential to maintain continuity in certain practices or preserve specific assets, either because they constitute invaluable resources, or they contribute towards a valued stability of culture or identity within an organisation (see Figure 4.4). Assets include tangibles such as money, buildings and technology but also include intangibles such as know-how, and staff loyalty or pride in the employer or product.

### 4.4.1 Assessing preservation

A key criterion for the change agent to consider is the extent to which there is a need to preserve the status quo within an organisation. There are two aspects to preservation. The first is to be clear about what the organisation’s assets are, both tangible and intangible. The second is to decide upon what should or should not be preserved in a change process.

Tangible assets are to do with physical, human and financial resources. These can be identified from a simple resource audit which lists the assets in each category.<sup>4</sup> Intangible assets are more to do with know-how, or the ‘tacit knowledge’ of particular staff. Tacit knowledge is knowing more than you can tell – it is informal, not codified and therefore difficult to talk about. This knowledge could be about understanding, for example, customers or causes of organisational success, and is often acquired through experience. It is important that all resources that contribute to an organisation’s competitive advantage are retained during the change process, but it is particularly important that the change process does not lead to the loss of the more intangible resources and knowledge that are unique and difficult to imitate, which are often embedded in an organisation’s culture and may constitute core competences for the organisation. These may alternatively be embedded in a particular group of staff pointing to the need to ensure that a change process maintains their loyalty to the



**Figure 4.4** Contextual feature: preservation

organisation and their trust. Ultimately, if a change agent does not understand what aspects of the existing organisation need to be preserved, or how such assets can be replaced if lost, the change process may have unanticipated and damaging outcomes.

In some ways it may seem counter-intuitive to discuss concepts such as preservation or legacy when talking about change. Indeed, for twenty years from the 1980s onwards much of the debate in change management had been about the desirability to ‘transform’ organisations in a way that reinvents them completely rather than preserving them. In traditional transformational change literature much of the exhortation has been centred on demonstrating why ‘the status quo’ must be destabilised. In so doing there has been a tendency to denigrate the past in order to emphasise its anachronistic qualities and applaud a different future as a positive and almost indisputably better alternative.<sup>5</sup>

However, recent research on organisational change conducted since the financial crisis of 2008 detects a slightly different and more subtle approach being implemented amongst some companies and with great success. An organisation might have a strong legacy or heritage which either needs to be honoured and preserved as it gives the organisation a competitive advantage in the marketplace. Or the future vision of the organisation and its link with the organisation’s past and heritage is deliberately emphasised in order to give its employees, customers or service users some sense of continuity. Research suggests that, unless the business or organisation is completely discredited, showing at least a partial link with the past may give employees a level of certainty to counteract the emotions of fear and risk that the uncertainty of change may evoke. Organisations can choose to draw powerfully on their legacy to facilitate change while sustaining a sense of continuity, as did Unilever (see Illustration 4.2). In contrast to Unilever, Bob Diamond, the former CEO of

the financial services group Barclays, was unaware of its distinctive heritage, namely that it was founded by the religious group the Quakers, and was unable to link that heritage to its present day values.<sup>6</sup> This was one of the aspects of his leadership that fuelled a debate about Diamond's suitability to lead Barclays after the financial crisis and may have contributed to his eventual resignation.

Illustration 4.3 describes recent changes at Starbucks. The coffee chain had enjoyed international expansion and financial growth over many decades when in 2008 it faced considerable difficulties. Starbucks co-founder and recently reappointed CEO, Howard Schultz, attributed the financial challenges to what he described as the 'commoditisation of the Starbucks' experience'. Starbucks, like many growing start-up organisations, had failed to preserve its core proposition and legacy – which for Starbucks was to provide the 'romance and theatre' of coffee making. In rebuilding Starbucks, Schultz drew on and revitalised this legacy. He was also well placed to do so as one of the original founders of the organisation.

### ILLUSTRATION 4.3

#### Starbucks: finding the balance between preserving legacy and enabling growth

Starbucks is the world's largest coffee chain and one of the most well-known brands globally. While enjoying enormous growth during the end of the 20th and beginning of the 21st century, by 2008 the chain was confronted with a loss of 50 per cent in their share price, a decline in its customer base for the first time in its history and increased competition from lower price brands such as McDonald's and Dunkin' Donuts, particularly in the US. The then senior management knew it had to act and decided to bring Howard Schultz, chairman and co-founder, back to the role of the CEO. Schultz had been Starbucks' CEO for 13 years prior to stepping down in 2000. When Schultz re-joined, there were serious concerns that the Starbucks' brand had lost its original appeal due to a great focus on international expansion and growth. Something Schultz had described as 'commoditisation of the Starbucks experience'. His main mission was to bring the 'romance and theatre' of coffee-making back and reconnect with the company's legacy.

Schultz's strategy proved to be a combination of restructuring for cost efficiencies, reviving the original Starbucks proposition of offering quality coffee and investing in future innovations. One of his initial steps was to slow down the opening of new stores by more than half in the year of 2009. Schultz also

decided to close 600 stores in the US, leading to a 7 per cent reduction in the workforce, since he saw over aggressive expansion as a cause for Starbucks' low performance, rather than a decline in customer demand. Further store closures were to follow at the beginning of 2009, some of the organisation's assets were sold and Schultz asked for his salary to be cut to less than \$10,000 from his prior salary of over than \$1 million in order to further cut costs.

To reconnect with Starbucks' original proposition of quality, value and offering a human experience, in a unique move Schultz closed over 7,000 stores in the US for three and a half hours to retrain all baristas. He further replaced several members of the management team, created a loyalty programme to bring customers back into the stores and purchased new espresso machines to enable staff to better connect to its customers. In order to counter public perceptions that Starbucks was over-priced, Schultz invested in a multi-million dollar advertising campaign emphasising the quality and value offered by the company. This was a distinct break with the past for Starbucks. The company had previously relied on word-of-mouth and never invested in a major marketing campaign. For the first time, Schultz also hired external consultants in order to get input on how to revive the organisation. He further set up a website

**Illustration 4.3 (continued)**

in order to capture the opinions of customers. In the second half of 2009 things seemed to have improved financially. By 2011 sales and profits were strong again, particularly in the US and Chinese market. At this point in time, Schultz shifted back to a growth strategy as it announced a joint venture with Tata Global Beverages to enter the Indian market.

Many suggest that it was the championship of Howard Schultz that helped to turn Starbucks around. Being one of its co-founders, Schultz is respected in the organisation. Staff can relate to his vision and values. They believe that he has Starbucks' best interests at heart. His honest and open approach when admitting to having made mistakes in the lead up to

Starbucks challenging position were well received by the thousands of staff. Today Starbucks is doing better and Howard Schultz is still its CEO. He continues to try to find the balance between upholding the 'Starbucks experience' and expanding internationally.

*Source:* adapted from Birchall, J. (2 July 2008) 'Starbucks to close 600 US outlets', *Financial Times*, <http://www.ft.com/cms/s/0/086fd976-47b2-11dd-93ca-000077b07658.html#axzz3Oj4wXkSF>, accessed 13 January 2015; Wiggins, J. (13 December 2008) 'When the coffee goes cold', *Financial Times*, <http://www.ft.com/cms/s/0/a8e54cb0-c8b8-11dd-b86f-000077b07658.html#axzz3Oj4wXkSF>, accessed 13 January 2015; Birchall, J. (29 January 2009) 'Starbucks to axe 300 more stores, cut 6,700 staff and sell two jets', *Financial Times USA Edition*, p. 15; and, Crabtree, J., Fontanella-Khan, J. and Jopson, B. (31 January 2012) 'Starbucks to enter India in \$80m Tata joint venture', *Financial Times*, p. 19.

The extent of preservation required in an organisation is in part dependent on the scope of change. Yet it is necessary to address preservation as a separate question. If an organisation needs to undergo transformation, it is possible to overlook the existing sources of competitive advantage that reside within the organisation and lose these. Thus just as a cultural web analysis can be used to identify what aspects of an organisation need to be changed, it should also be used to consider some of the softer organisational aspects that need to be retained, either because they contribute to competitiveness, or because they can be used to facilitate the change process, by providing linkages to the past that are valued by staff yet are also relevant to the future success of the organisation. Recent research on change has shown that organisations who make an explicit linkage between the past and the future maintain higher levels of trust during change than those who downgrade the past.<sup>7</sup>

#### 4.4.2 Preservation and design choices

If preservation of hard-to-replace assets is important, particularly intangible assets embedded in the existing culture, then a number of design choices become clear. For instance, *revolution* in which many aspects of the organisation are changed simultaneously would be a risky change path. Similarly, a *target of outputs* could be dangerous as this could lead to many unintended behavioural side effects.

If preservation is more to do with the retention of particular staff groups, particularly if these people are seen as highly desirable assets in the external labour market, this has implications for the *style of change*. To avoid alienating them a *collaborative or educative* style of change may be a safer route than a directive approach. For instance the City of London law firm Norton Rose very deliberately consulted all its high value and highly mobile staff before deciding on its strategy to survive the 2008/9 crisis and recession (for further details see Chapter 7). In addition, if the staff group concerned is a group that values their autonomy and independence, such as university lecturers, then *direction* and prescription of *behaviours* or *values* is likely to be inappropriate, and it might be that a *change target of outputs* would then be appropriate.

On the other hand, organisations seeking transformational change may have to give up, or even destroy, features of organisational life that in the past might have been assets but now represent barriers to change, even if they are valued by staff. The emotional attachment to such features may make this hard to do, creating a difficult balancing act between maintaining a valued legacy yet creating a break with aspects of the past that are no longer relevant and even a barrier to change. Managerial and staff mindsets about what leads to success, and about what is the right way of doing things, may need to be abandoned. This is about ‘unlearning’.

Unlearning implies that people have to throw out unhelpful and outdated behaviours or ways of thinking to make room for new ways of thinking. If these old ways of thinking have become taken-for-granted assumptions for individuals, then challenging them and giving them up can be a painful process. This was the situation for Harrods, the world-renowned, luxury department store located in Knightsbridge, London, in 2008.<sup>8</sup> Founded in 1849 by the tea merchant Charles Henry Harrod, it has a very traditional and ‘subservient’ culture. There was a hierarchical reporting structure, which clearly distinguished between senior management and shop floor. For many employees this was a deeply engrained way of working since they had worked at Harrods for 25 and in some cases 30 years. When faced with high employee turnover, particularly among the group of younger employees, the organisation had to do something. This included developing a culture in which junior staff did not feel obliged to blindly follow the instructions of their superiors any more, but felt empowered to challenge them. However, this meant older and long-serving staff had to let go of and ‘unlearn’ the old ways (see Chapter 6, Illustration 6.3). To facilitate this, interventions were made to democratise the workplace, such as no longer linking employee benefits to the level of hierarchy, transparency of sales performance for all staff, and encouraging line managers to take on responsibility for developing their employees. Interventions to do with *training and development* led by Human Resources professionals are often used to facilitate unlearning. We discuss more about this in Chapter 6.

## 4.5 Diversity

Diversity is to do with the degree of diversity that exists among the staff group(s) affected by change (see Figure 4.5). Essentially it is asking the question: ‘Is the organisation heterogeneous or homogeneous?’ Change may affect groups or divisions with different subcultures, such as manufacturing versus sales and marketing, or different national cultures. Staff may also differ in the way they identify with the organisation – through their team, job, department, division or the whole organisation. Professional groups may identify more with their profession than their employing organisation. For MNCs (multinational corporations) the task of implementing change over many different geographic divisions has always been a challenge. So the existence of strong subcultures in organisations is a key issue to consider when designing change.<sup>9</sup>

### 4.5.1 Assessing diversity

Many change texts assume that organisations are homogeneous. This is usually far from the truth. There are three aspects to diversity that can impact on the appropriateness of any change approach.

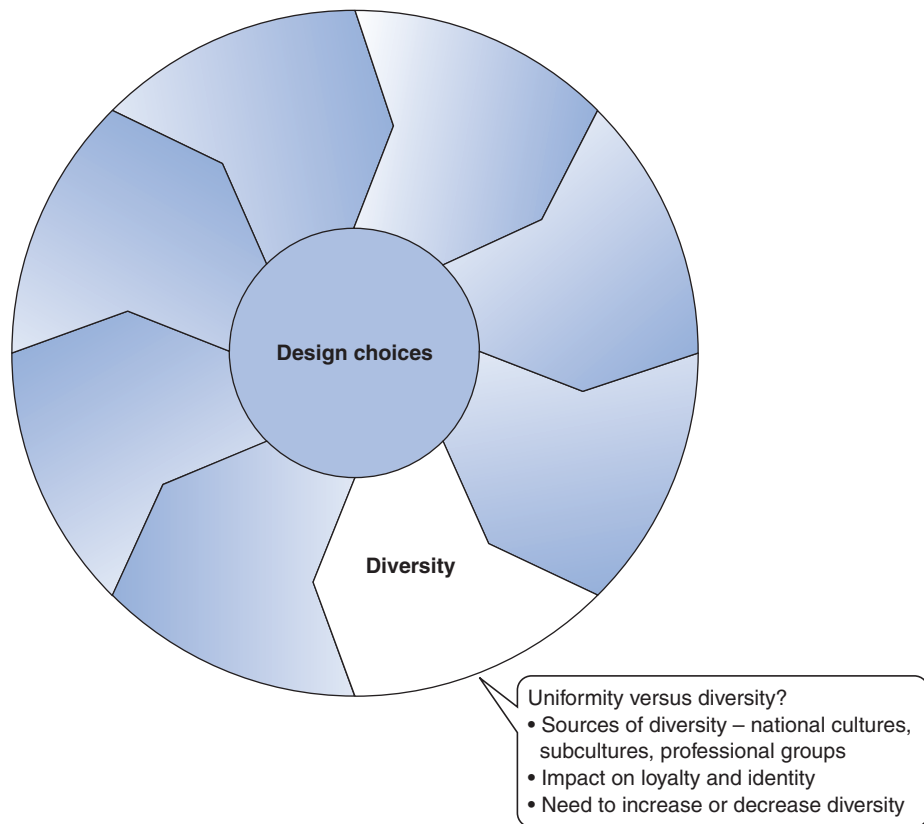


Figure 4.5 Contextual feature: diversity

- The *extent* to which there is uniformity or diversity within an organisation. Diversity can occur within an organisation because of the existence of different *national cultures*, different *subcultures*, or different *professional or occupational groups* between divisions and departments.
- The *impact* of these differences on staff loyalty and commitment to the overall organisation.
- The extent to which the change agent wishes to *reduce* or *increase* levels of diversity as part of the intended outcomes of the change process.

If a corporation is spread over several different countries then issues of diverse *national cultures* must be taken into account. A change initiative designed in North America may be quite unacceptable to a South-east Asian national culture. The issue of cross-cultural management becomes less of an issue in truly global corporations where the culture of their staff is so international that common approaches are possible despite different geographic locations. However, truly global or transnational corporations remain rare. In general, in large organisations, the more diverse the divisions, operational units, and/or national units, the more difficult it is to introduce common change processes at anything more than a visionary level. In addition, different countries may have different employment laws, regulations

and industrial relations climates requiring different approaches. The implementation of a new vision may have to be left to the discretion of the division or geographic unit concerned and its senior managers. This was the approach taken to change in GSK Pharma Europe in the 2000s. Following the introduction of a new business model across Europe, new General Managers (GM) were appointed to the country-based local operating companies (LOC) with the responsibility for implementing appropriate degrees of change to bring their LOC into line. There was no commonly prescribed change programme. Rather each GM was given responsibility for designing an approach appropriate to the situation of their LOC.

Another source of diversity is that of *professional groups*, such as doctors and nurses in a hospital, or academics and administrators in a university. Any change process would have to be able to appeal to all groups. Alternatively different change strategies might be adopted for different parts of the organisation: ‘different strokes for different folks’ may be a more effective way of persuading people to change than corporate-wide change implementation that assumes that employees are all the same. The more subcultures that exist, the more complex the design process becomes. Diversity may also mean that change is required to build a more united organisation. For example, creating a shared purpose for its heterogeneous workforce is at the heart of the NHS Change Model. The purpose of this model is to define a common language for change which will enable NHS commissioners and providers to deliver on the organisation’s goals for quality and value. Being a complex organisation the NHS comprises various groups including medical and professional staff, senior leaders and front-line employees, patients and suppliers, who will be affected by the planned programme. In order to make these diverse voices count, the NHS Change Model was developed in collaborative conversation with hundreds of senior leaders, health care practitioners, commissioning groups, NHS providers and improvement activists.<sup>10</sup>

Different sources of diversity in turn affect employee loyalties and commitment and therefore their motivation to change. Research conducted in the production plants of multinational companies AkzoNobel and GKN identified different groups within the workforces. For example, in India, the senior management groups were diverse since some members were expatriates, but within the Indian workforces there were also distinct groupings. In rural areas many staff were drawn from the local villages and the level of skills of these workers meant that they did not have the privilege of mobility within the broader national workforce. They were extremely dependent upon the particular MNC and often used the cultivation of their smallholdings as a way to supplement their living. The family ownership and continuing cultivation of that smallholding was vital to their family’s longer-term livelihoods. In contrast another smaller grouping within the workforce was the highly educated and skilled younger Indian group whose IT or accounting skills and qualifications made them highly mobile and desirable on a national and international level. They were a highly valuable group within the workforce. In approaching the implementation of change the two MNCs had to use different change levers to elicit commitment to change. With the local unskilled group the emphasis was on how the change would benefit the local community with often tangible benefits such as educational facilities or health facilities being promised for the community as a whole. With the highly skilled and qualified Indian group, change levers and incentives would focus more on the provision of additional promotion or development opportunities.<sup>11</sup>

Similarly staff who are members of professional or vocational bodies, such as lawyers and doctors, may put their allegiance to their professional norms, values and professional

bodies, before their allegiance to any one particular organisation. Alternatively, employees may show more loyalty to their trade or staff union. The very existence of a tradition such as collective bargaining within an organisation should alert change agents or managers to the possible existence of diversity within the workforce. At a more basic level staff may identify more with their immediate work or peer group rather than the notion of their whole employing organisation. Head office staff may identify more with an organisation than geographically dispersed field staff. It is not uncommon for organisations to find that head office staff are very engaged with a change programme whereas, say, the field sales staff are less so, because the need to do something different to engage this physically distant staff embedded in a different work context has not been recognised.

Research shows that within some large corporations there has been a significant decline in the loyalty felt towards both the corporation and the senior management team over the last decade. However, loyalty to the immediate boss has not declined.<sup>12</sup> In these circumstances, where staff loyalty favours the local manager, it is important to ensure that these managers are fully committed to the aims and objectives of any change programme they are being asked to implement and are competent to execute the changes. We discuss issues of identity, trust and loyalty more in Chapters 6 and 7. Ensuring commitment is a major factor in creating a climate of engagement. The key issue is that senior managers must not assume that the rest of the staff shares their strong allegiance to the employing organisation. Change agents should not assume that the people feel that the 'organisation' is worth the pain of their individual change.

Having identified the levels of diversity or uniformity within an organisation, the change agent may consider designing a change process which addresses these as part of the change process, as we describe for GKN and Akzo Nobel above. Alternatively, an organisation may be too diverse with insufficient unifying elements for the maintenance of management control or commercial effectiveness, in which case the change programme may seek to reduce the diversity. This was the case at Ford Retail, the largest Ford dealership in the world with a total of 60 different sites, around 3,000 employees, selling 90,000 vehicles a year and more than £1billion sales<sup>13</sup> (see Section 6.5.5.1). A new focus on a shared leadership style and service culture was required to create a unified identity for its diverse collection of local dealerships and a common service brand. Such a position can often occur as a result of rapid growth or increasing internationalisation where units start to grasp too much autonomy from the centre. Alternatively it may result from many mergers and acquisitions and inadequate periods of consolidation, which in turn enable employees to retain the identity and cultures of their old organisations. Or it can be the result of strong professional identities being encouraged within the organisation. This was the challenge faced by Genentech, a biotechnological organisation, see Illustration 4.4.

#### 4.5.2 Diversity and design choices

A company's approach to managing diversity is increasingly key as the levels of internationalism increase. In reality there are huge variations in approach depending upon the company's history and business strategy and therefore its desired levels of centralisation and decentralisation. This in turn creates different levels of autonomy and capabilities to do things differently for divisions and subsidiaries. MNCs are structured around multiple business units which, due to their physically dispersed nature, are characterised by geographic



## ILLUSTRATION 4.4

### Unification at Genentech

Genentech is a biotechnological organisation that, following a merger with the Roche Group in 2009, embarked on a change programme to bring together four different brand franchises with different histories, belief systems and stages of development into one common culture. When its Senior Vice President, Jennifer Cook, joined in 2010, she found an organisation that lacked cohesion and a common organisational identity. In parallel, there was the merger between Roche and Genentech, which sought to bring together two organisations with different legacies and norms.

In order to overcome this challenge, in 2010, Cook initiated the first step of a carefully planned multi-stage initiative by organising a Kick-off meeting involving 12 senior leaders to talk about their cultural challenges and visions for the future. At the same time she also engaged an external consulting firm in order to conduct interviews and focus groups with 35 participants in the organisation. Cook specifically aimed to counter the behavioural challenges that she experienced amongst employees such as doubt, scepticism and cynicism by taking a collaborative approach and shifting ownership for the definition of the new culture to her staff. At the same time she also honoured Genentech's scientific legacy by conducting a survey where she asked 550 employees to rank a set of cultural attributes according to 'most' and 'least' characteristic. The results fed into further discussions with the wider leadership team who developed a set of 'placemats' that defined the pillars that should underpin Genentech's new culture. Each placemat

contained a clear definition of the behaviours, attitudinal outcomes, mindset shifts and necessary behavioural evidence. To align the new cultural vision and get further buy-in of the members of Genentech, Cook also conducted a meeting with Line Managers to whom she presented the findings of the survey and introduced the new vision statement.

Following this meeting, a workshop was held with over 500 people from across the organisation in order to further define specific actions that would help to shift Genentech's culture. These were summarised into five cultural levers including recruitment, training, communication, reward and recognition, and performance management. Organised in cross-franchise teams and supported by senior leaders and external facilitators, employees were consequently asked to propose specific day-to-day actions and real life examples of where culture manifests itself in their work. In the final stage, Cook used the change levers and the key ideas from the workshop in order to set up cross-organisational initiative teams that were to define clear deliverables which could be put in practice.

The change initiative has enabled Cook to bring the different brands together under four 'Cultural Pillars': patient orientation, focus on people, courage/innovation and integrity as well as a common vision that would unite all members of Genentech.

*Source:* adapted from Chatman, J. (2014) 'Culture change at Genentech: Accelerating strategic and financial accomplishments', *California Management Review*, 56(2), pp. 113–127.

and cultural distance, but also historically different levels of subsidiary-HQ independence-interdependence. There may also be differences in levels of autonomy, and therefore the extent of many different sources of diversity, between different divisions and/or subsidiaries within one company, due to factors such as size, prior levels of success, concentrations of particular expertise or capabilities, or even different histories due to prior acquisition activity. As a result, change programmes which alter the centralisation–decentralisation balance, or seek to impose common practices across subsidiaries used to autonomy, are likely to encounter resistance and require considerable negotiation.<sup>14</sup>

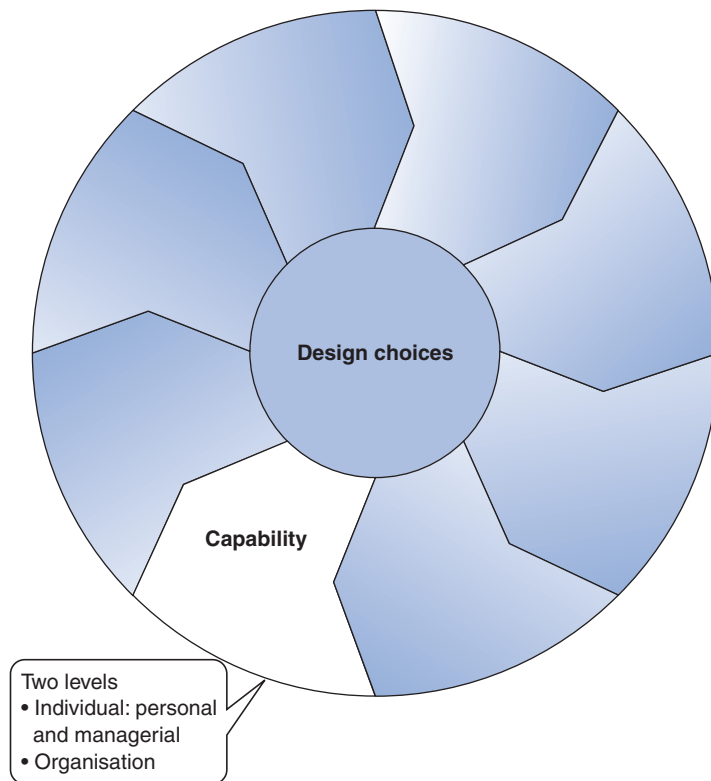
If there are *high levels of diversity* based around different national cultures, then a *target of value-led change*, if time allows, can cross these boundaries, since different subsidiaries can then have autonomy to decide how these values are manifested in behaviours locally. Likewise common output *targets* or policies may be prescribed across the globe. Companies such as McDonald's do this with standard operating practices. A high level of diversity also has implications for change *roles*. In a large corporation, either national or international, local staff may identify more with the head of their business division rather than the overall chief executive of the whole corporation. In identifying change champions it may, therefore, be wise to devolve responsibility down to business unit heads. On the other hand, a strong organisational identity may mean that the chief executive is seen as a leader for all staff, and therefore is the natural choice for the role of championing change.

Change *roles* can also be influenced by the presence of diverse professional or vocational identities which any change process has to take into account, particularly if the groups are powerful. A *role* could be created for a professional representative within the change design team, in the same way that union involvement would be sought, to increase the acceptability of proposed changes. Many hospitals involve representatives from the different professional groups, such as consultants and nurses, in change teams. If this is not possible, then a change *style* that incorporates education and collaboration may be necessary to engender a better sense of ownership for change among the different groups. Behavioural prescription, as we argue above, is also less likely to be received well by professionals because they often have a great need for high levels of autonomy. However, this may point to the need for a mix of change styles. Although a directive style may be inappropriate for professional groups within an organisation, it may be appropriate for administrative staff groups.

Diversity can also affect the *change path*. When undertaking a merger or acquisition, the initial change phase will often involve bringing the merging entities together structurally, and the second may then have to concentrate on unifying the cultures of the two organisations involved, as at Genentech, a biotechnological organisation. Illustration 4.4 describes how it addressed the challenge of changing from four independently operating brands with very different cultural legacies to one common culture. In order to pre-empt dysfunctional behaviours and ensure unification, Genentech's Senior Vice President, Jennifer Cook, undertook a well-planned, multi-stage initiative that used a highly collaborative approach appropriate to a professional environment and for an organisation with time on its side. Similarly, if an organisation already has subcultures or diverse working practices and systems within it as a result of, for example, previous acquisitions or mergers, or previous high levels of decentralisation and autonomy, and this diversity needs to be reduced for the planned changes to work, then the initial change phase may involve interventions aimed at unifying the different cultures.

## 4.6 Capability

Capability assesses how capable the organisation is at managing change (see Figure 4.6). Capability should not be confused with experience or with readiness. Many organisations experience change but neither handle it well nor learn from their mistakes. To use an analogy, two people can take a long-haul airline journey – one person prepares for the journey



**Figure 4.6** Contextual feature: capability

carefully by taking into consideration measures such as health and well-being, efficiency issues such as size and weight of luggage, and logistics so that they arrive at the airport on time and in a good frame of mind to enjoy the journey. The other person fails to adequately prepare for the flight, packs so many things that they take too much luggage, dresses in uncomfortable clothes and drinks too much alcohol before take-off. Both people are making the same journey but one is a capable and experienced traveller who arrives at their destination as refreshed as possible; the other has an awful journey and arrives worn out and tired. Change is much the same – two firms can embark upon a similar change journey but one is capable at change management and the other is not.

It is also important to distinguish between capability for different types and ways of delivering change. An organisation, and the individuals within it, may be very good at delivering operational change, such as rolling out new operating procedures, or sharing best practice from one part of the organisation to another. However, this does not give the organisation a capability in more transformational change. Furthermore, delivering change as a planned and deliberate intervention requires one set of capabilities, and delivering change on a more continuous basis to keep pace with a changing environment a different set. To push the air travel analogy further: a person may be very experienced and competent at short-haul travel but if they approach their first long-haul journey of 18 hours with the same level of preparation they use for a two-hour flight, they may find they are ill-prepared for this length of journey.

To assess change capability it is useful to differentiate between two forms of capability. One form of capability resides at the level of the individual. How flexible and adaptable are managers and non-managerial staff in terms of their skills, behaviours and attitudes? The more adaptable the staff, the more able they will be at handling personal and organisational transition. Some employers specifically target their recruitment at attracting people who display these personal attributes. Unilever, for example, as discussed in Illustration 4.2, now seeks to recruit people who have the ability to lead in environments of risk.

The second form of capability is located within the organisation itself. Organisations could, for example, be experts at particular types of change, such as mergers and acquisitions, and post-acquisition integration. This capability may rest in established practices and procedures for handling acquisitions, and in specialist teams of people who are responsible for the integration process. GKN, for example, discussed in Illustration 4.1, undertakes many acquisitions and has established teams and procedures for dealing with them. Other organisations may have sophisticated and well-developed HR systems, which they can then use as levers to deliver change. It might also be that an organisation's systems allow it to coordinate change on a more continual basis in response to a changing environment. These systems might be information systems, business planning systems or production systems. Such systems can contribute to an organisation's 'dynamic capability', the capability of an organisation to reconfigure existing processes and create new ones, to deliver on-going competitive advantage.<sup>15</sup>

#### 4.6.1 Assessing capability

It is important to question whether an organisation possesses the necessary skills and abilities to manage change on either an individual or organisational level before embarking on change design and implementation. Often organisations are overly ambitious in their plans and fail to assess their competence to deliver sophisticated change.

The first aspect of capability at the individual level is *personal capability*, the ability of individuals in any organisation to manage change within themselves. Anyone who has lived through a personal crisis such as a bereavement or divorce will understand that personal change can be an overwhelming experience. However, the more reflective the individual, the better they can expect to learn from the experience, and hopefully then be able to manage the process more effectively if it recurs. The more an individual has experienced change, and reflected on it, the higher their personal capability for change should be. Various models for understanding the process of personal transition are described in Chapter 5.

Some organisations use personal development interventions, such as coaching or senior executive development programmes, to help their managers develop a change capability. These interventions usually incorporate some form of experiential learning, through which individual staff members can develop a competence for handling change at a personal level. The sponsoring organisations know they will gain if their staff become more capable of managing the personal impact of change. Staff with a personal capability for change may show less resistance to change, or may need less persuasion from their peers or managers to undertake change. Resistance at an individual level is often not directed at the change content but towards the change process.

The second aspect of capability at the individual level is *managerial capability*. How able are line and general managers to counsel and help their staff through the process of change? (See Chapter 5, the transition curve.) Does the organisation's management

possess the appropriate communication skills to convey a clarity about the change and a commitment to their staff? Do they possess change-counselling skills? Are any managers experienced in dealing with a number of different change initiatives at one time? Does the organisation know which managers within their staff have a high degree of competence at managing change?

Research has concluded that line manager capability is a key differentiator in accounting for the differences between success and failure in the different change histories of companies.<sup>16</sup> In companies that successfully transformed or changed the researchers found the following.

- Line managers followed through consistently on change initiatives, whereas, in companies that struggled with change, line manager response was inconsistent.
- There was a focus on a few clustered and coherent interventions. Thus, their line managers were not faced with a bewildering array of change initiatives.
- Managers were assessed and held accountable for managing change and were also rewarded for their efforts in this area.

At the *organisational* level specialist change units can be established anywhere within an organisation. Some change experts may be located within strategic planning units, Chief Executive Offices, Human Resource functions or specialist change units called Organisational Development departments. As well as displaying expertise within the broad subject of change, they may be specialists in their own right in the areas such as management development, top team development, management of high-potential or fast-track staff, or internal communications. All these functions contribute to an organisation's overall capability in handling change. Illustration 4.5 describes how the employment of a CEO who is an expert in change at Camden Council enabled the planning and delivery of important change programmes that might not otherwise have been possible.

Research suggests that a capability in more continuous, incremental change is based upon a set of different skills to the capability for big-bang change. These include constantly scanning the external environment; using management systems as information and communication systems; promoting flexible organisational structures; and maintaining a relative stable set of cultural values for the purpose of consistency. This is, of course, fine as long as the changes required do not challenge the core values. Other research identifies managerial and organisational capabilities that enable organisational flexibility and an organisation to adapt faster than its competitors. These include trustworthy leadership, trusting followers, capable change champions, involved mid-management, an innovative and accountable culture, effective communication and systems thinking.<sup>17</sup>

Capability is a difficult feature to assess in the short term. At an individual level there exists a plethora of psychometric tests that can indicate change capabilities, particularly among managerial staff. At the level of the organisation it may simply require a database of skills. Surprisingly enough, depending on the size of the organisation, a simple questionnaire or focus group sessions with staff may uncover valuable information in this area. Some organisations engage in capability reviews which will extend beyond the area of change management but will include change within its remit. For example, the Care Quality Commission (CQC), the independent regulator of all health and social care services in England, conducted a performance and capability review from October 2011 to February 2012. Some key findings looking to the future included the need for CQC to become more

## ILLUSTRATION 4.5

**Capability for change at Camden Council**

Camden Council, one of London's inner councils covering a population of about 200,000 people, was faced with a 28 per cent cut of its central government funding as part of the wider public service sector cuts announced in the last years. This translates into a saving of £85m for the period between 2011–2014. At the beginning of 2012, Mike Cooke was appointed Chief Executive of Camden Council and charged with planning and implementing the change programme. With a background in Organisational Development and several years in the role of the head of HR, Cooke may be considered an expert in conducting people-focused transformation processes.

Central to the approach has been a process called 'service remodelling'. This aims at developing leaders' capability for change by creating opportunities for them to think about services in a different way. This has followed a service-by-service review and gives leaders the necessary tool to consider various

alternatives of how cost efficiencies could be implemented, rather than simply a reduction of workforce. For example, previously the meals-on-wheels service had provided elderly residents with a limited choice of meals which would be heated before delivery. As a result of 'service remodelling' residents can now order a week's supply of frozen food from different suppliers of their choice and request additional home care support. According to Mike Cooke, this changed service is cheaper to operate while giving people more choice over their food.

Over the first year, Camden Council has saved £44m through a combination of service improvements and redundancies. During this time employee morale and engagement has been maintained. In the future, the focus will remain on changing the way service delivery is organised.

*Source: adapted from Arkin, A. (1 May 2012) 'On my agenda', People Management, pp. 36–39.*

strategic, develop clarity in accountability between the Board and the executive team and the need to develop an effective way of assessing the impact of its regulatory model. The review also made specific suggestions in regards to these areas which should enable CQC to develop its capabilities.<sup>18</sup>

**4.6.2 Capability and design choices**

A change agent should not design an implementation process that the organisation is not capable of delivering. Levels of change capability affect the level of sophistication with which change can be tackled. As a result of their evaluation of their capability, some organisations choose to increase their competence in this area first before embarking upon their desired change. Illustration 4.7 describes how Statoil, a Norwegian multinational oil and gas company, did just this. The change capability of senior and middle managers was purposefully developed through a set of targeted training programmes that focused on their role as change agents.

Capability influences the choice of *change path*. Transformational change, whether evolution or revolution, is harder to achieve. This may mean that, although transformation is the preferred change path for an organisation, it is not an option because the organisation lacks the capabilities listed in the previous section. The organisation needs to start with adaptation or reconstruction first. For instance, earlier change may entail developing managerial capability. Managers may need to be taken through training and planned personal development initiatives to enhance their understanding of change and change

management techniques. If the ultimate aim is evolution, business planning systems, including performance management systems, may need to be established to aid an incremental approach.

When considering *change targets*, value-led change is probably the hardest form of change to achieve as it requires skill to purposefully and successfully penetrate the values and attitudes of staff and to change them. At the very least the organisation would need to be able to demonstrate an Organisational Development capability, with perhaps a team of development specialists who have knowledge of personal change. Some organisations have change consultancy teams with such capabilities who act as internal contractors within the organisations. A *change style of collaboration*, for example, may also require particular skills such as facilitation. Capability, therefore, also affects the choice of *change roles*. Consultants may need to be involved in a change process to compensate for a lack of change capability within an organisation.

Capability can affect the choice of *change levers*. Symbolism can be used as a powerful change lever but in inexperienced hands symbolic change can be counterproductive (see Chapter 5). Similarly, using Human Resource Management systems as change levers, such as recruitment and selection or reward systems, requires the staff in the Human Resources function to possess both an operational excellence in these areas and a strategic understanding of these systems' power as change mechanisms. In addition, as stressed above, if an organisation lacks the necessary levels of individual capability, training and personal development interventions aimed at building this capability in individuals may be introduced such as training on models such as the transition curve discussed in Chapter 5.

Unfortunately, the easiest options, such as top-down and directive change, often seem the most attractive. The problem is that these options may not be the most appropriate way to inculcate change within a specific organisation. The research on change is littered with examples of organisations who either implemented inappropriate change designs, or attempted change designs that were too sophisticated for their levels of change competence. This is also why many of the change initiatives that are heralded as transformational actually result in reconstructive change.

## 4.7 Capacity

Capacity considers how much resource the organisation can invest in the proposed change both in terms of *cash* and *staff*. How much *time* managers have to devote to change is also an issue (see Figure 4.7). This has become a more critical factor in recent years for a number of reasons. One is that change management activity in organisations has increased as the external environment moves at a faster pace and with greater complexity. This has resulted in many senior managers increasing the number of change initiatives that are running within the organisation at any one time. However, there is substantial research evidence to show that organisations have not necessarily simultaneously increased their capacity building activities to match the increase in initiatives.

More recently, it has been identified that high levels of trust will deliver the enabling conditions in which significant change can thrive.<sup>19</sup> In contrast, too much distrust creates a reluctance to change amongst a workforce, or, at worst, dysfunction. Thus trust, if it exists, is a resource an organisation can draw on to facilitate change. We discuss trust more in

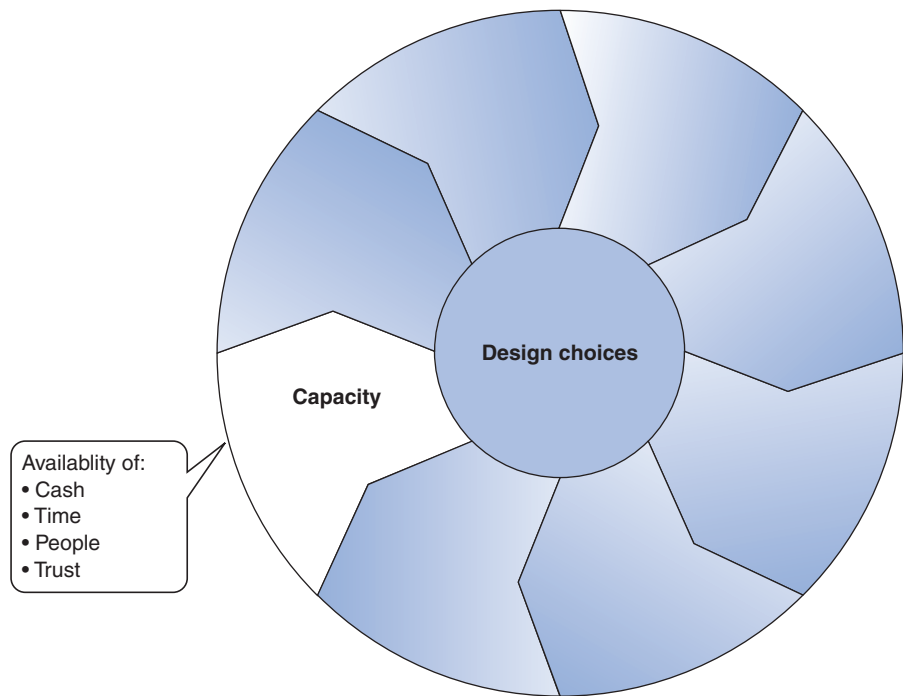


Figure 4.7 Contextual feature: capacity

Chapter 7. The point to note here is that an organisation's capacity for change is increased if there are existing high levels of trust. Correspondingly, organisational capacity for change will be lower in organisations in which trust is lacking.

#### 4.7.1 Assessing capacity

Many of the change programmes written up as showcase pieces feature large corporations undertaking change. The danger is that small- to medium-sized enterprises try to mimic these larger programmes but without the same capacity available for investment in initiatives. The result can be overambitious changes announced at senior management level, which will then fizzle out at lower levels because there is no means to manage a big-bang change. It is therefore necessary to consider which key resources are limited in any specific change scenario.

- *Cash*: any change interventions that involve management development programmes, particularly off-site, are likely to be expensive and require considerable investment. Physical change assets, such as new technology, can also be expensive. Symbolic change, such as the relocation of offices or redesigning existing office layouts, can also require cash investment.
- *Time*: during change, time is a very valuable resource. Difficult questions need to be addressed about how much time is available for senior managers to devote to leading the change. Middle managers often feel squeezed by the pressures of change. All too often they are expected to implement several different change initiatives while at the same time continuing to deliver on all their normal performance targets. If a change agent wants line or general managers to give attention to change initiatives then he or she



needs to consider creating time for them to do so. Some organisations remove managers' responsibility for certain routine tasks for a limited period of time in order to create time for the implementation of change. Boston Consulting Group in the US argues that the amount of effort required to make a change happen should be taken into account. The consultancy group argues that if more than 10 per cent extra work on top of everyone's workload is required, it is likely that the project will run into trouble, meeting resistance and time shortages. They advise employing temporary staff or outsourcing some routine responsibilities or tasks to free up some time for staff.<sup>20</sup>

- *People*: the issue of capability has already been considered, but quantity is also relevant. Are there sufficient people or managers who are competent in the management of change and committed to the change itself? Are these people sufficient to create the momentum needed for the change to be carried out?
- *Trust*: if managers, be they senior managers or line managers, are trusted by others, these employees are more likely to embrace change more willingly than those employees within a low trust culture. Downwards trust is also important.<sup>21</sup> Employees dislike excessive use of, for example, electronic monitoring to check whether or not they are engaging in change. Such monitoring and evaluation indicates to employees that managers do not trust them to engage with change on their own volition.

The example of the UTS in Sydney (see Section 4.3.2) has illustrated the facilitating power of financial and other resource investments. By contrast, Illustration 4.6 shows how limited capacity, particularly the lack of cash, influenced the design choices and levers that the East Lothian Council made use of in a leadership change programme.

Recent research in the UK suggests that senior managers are not thinking about these issues in sufficient depth before the launch of programmes. Research shows that the number of managers affected by change, and multiple forms of change, is increasing in both the private and public sector.<sup>22</sup> Furthermore, there is a clear relationship between the type of organisational change experienced and the well-being of managers. Overall many managers thought their workloads were unmanageable within their current working hours. Yet many change agendas continue to be demanding in circumstances where the capacity and capability of an organisation to implement such breadth and depth of strategic change in the timescales required is debatable. People do have a finite capacity for change and can become overloaded and change weary.<sup>23</sup>

In summary, an organisation that repeatedly fails to sufficiently invest in resourcing the implementation of a change programme to match the programme's scope in terms of cash, time and people will find that over time its overall receptivity to change is affected. This reduction in receptivity impacts on the level of readiness for change within the organisation which we go on to discuss in the next section.

#### 4.7.2 Capacity and design choices

Cash capacity affects the choice of *change path*. Big-bang programmes may be costly. Incremental change may require less investment, in terms of cash and resources, upfront, but only if the management system infrastructure and line manager capability is already in place. If not, then substantial investment will be needed to build up the systems and capability. If trust is not present as a resource, managers may also need to invest in initiatives to build this.

## ILLUSTRATION 4.6

**When money matters: change at the East Lothian Council**

When Alan Blackie took up the role of Chief Executive at East Lothian Council in the South East of Scotland, he soon started to plan for a change in leadership style that would move people from a command-and-control type working and a silo culture to greater inclusion and shared ownership. In the design of the initiatives, one factor was particularly important given that this was a public sector organisation: cost.

The starting point was a 'Challenge for Change' conference where managers, senior leaders, union representatives and politicians came together to talk about the key challenges which they experienced in their work and in dealing with the council. Following from there, an internal debate about leadership values and behaviours was held which led into defining a behavioural framework, called the 'East Lothian Way'. This framework now provides the basis for recruitment and selection decisions, performance evaluation and development. These new behaviours were then used to drive the development of a

more collaborative culture, supported by experiential learning techniques such as outdoor training and drama.

Importantly, given the limited funds available, East Lothian Council was limited in its choice of resources. To overcome this challenge, they mostly made use of internal resources such as their own HR team in developing the initiatives, used local villages to conduct training activities as well as local voluntary organisations to give input into the change process. As a result the cost per employee could be kept at a low amount of £370 per person which is considerably less compared to similar programmes in the sector. Employee surveys show positive results following the change programme and the 'East Lothian Way' has established itself as part of the now more collaborative culture and leadership at the Council.

*Source:* adapted from MacGregor, G. (2010) 'Close up - How HR made a difference at work', *People Management*, August, p. 32.

Likewise value-led change, if it is to be successful, involves a heavy investment in the participative/collaborative/educative change levers that will need to be used to achieve the *target* of value-driven change. Investment is needed in the form of both managerial time and money. Higher levels of capacity, in terms of time, cash and people, are needed for collaborative, educative or participative *styles* of change in general. This was the case for Genentech for example where a highly collaborative approach was taken as we discussed in Illustration 4.4. Less time and money is needed in the short-term for directive styles of change – although there is always the risk that managing the resistance to extreme forms of direction may be more costly in the longer term (see Illustration 3.6 of the Norwegian Civil Aviation Industry in Chapter 3 where coercion led to the failure of the change initiative). Changing outputs or behaviours is much cheaper in terms of investing time and money but may not deliver the change that is needed.

Choosing the right people for the key *roles* in change management also raises questions of capacity. The chief executive may be the company's most charismatic leader but if he or she simply has not time to devote to the leadership of the change process then alternative candidates need to be considered. This seemed to be the case for Airwave Solutions which we discussed in Illustration 3.10 in Chapter 3. Here a transformation director was appointed to lead the change programme, supported by an HR partner. Thus, if the company has little time but does have cash then there is the option of bringing in an external change consultancy to help manage the change, or assembling an internal change action team to lead it through the organisation.

## 4.8 Readiness

Readiness for change exists at two levels. The first is the extent to which staff are aware of the need for change. The second is the amount of personal commitment there is towards changing individual skills, attitudes, behaviours or work practices (see Figure 4.8). In addition the concept of readiness can be divided into two: one form of readiness is the receptivity to a particular change initiative or programme. A second form of readiness is the idea of on-going readiness for change, sometimes called agility or engagement (see Chapter 6). Both of these are critical features within the change context and accurate assessment of staff readiness at the earliest opportunity can make a fundamental difference to the design of the change, and therefore the likelihood of success.

### 4.8.1 Assessing readiness for change

When launching a particular change initiative, change agents need to understand the degree to which employees are aware that change is necessary, and the degree of motivation staff feel towards change. Staff can be aware at a rational level of the need for change but be unprepared at an emotional level to embrace change personally. Low awareness of the need for change is primarily a reflection of the inadequacy of communication in an organisation about the need for change since achieving intellectual awareness through communication is relatively easy, whereas commitment to change exists at a very personal level and is harder to create. It is linked to the idea of personal transition which is explored further in Chapter 5, along with how to generate readiness for change. Low commitment

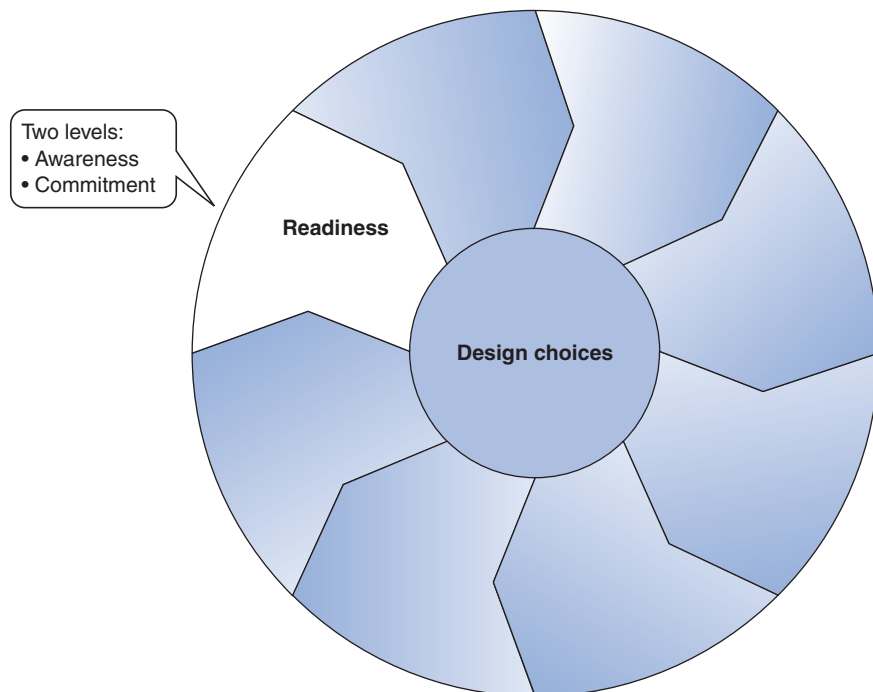


Figure 4.8 Contextual feature: readiness

can exist for a variety of reasons but many of them stem from self-interest. At a simple level the change may be disadvantageous to the individual. For instance, it may lead to a loss of power or status, or potentially a loss of job. At a deeper level the individual may fear the prospect of change. Research has shown that employees can be ambivalent about change – they can think that the proposed change is a good idea but at the same time be frightened by the thought of what is involved.<sup>24</sup>

However, a lack of readiness does not automatically equal or translate into resistance to change. In addition, change recipients do not automatically react negatively to change. They may also have positive emotional responses, such as enthusiasm, excitement and if change is seen as successful, pride. One role of leadership is to ensure that the company's mission and strategy capture people's excitement and engage their intellectual capabilities, so as to unleash organisational energy.<sup>25</sup> Emotional responses do not just relate to the content of change either. They may be relationship-based, and related to the nature of the relationship with the change agents leading the change, or even to the legacy of past changes.<sup>26</sup> Broken agreements, violation of trust and communication breakdowns can lead to negativity and even more active emotions, like anger.<sup>27</sup> Emotion is also contagious, so it is important to pick individuals to lead and influence change who will create a positive buzz rather than those who will pour cold water on ideas and initiatives.<sup>28</sup>

Drawings and models as visual metaphors constructed in workshops can help to bring different emotional responses into the open so that they can be discussed. For example, in one organisation a team's feelings about change were captured in a visual metaphor of a 'dark tower', which revealed strong, negative emotions regarding the change.<sup>29</sup> When emotions are surfaced, acknowledged and treated with respect, people became more engaged with the change.<sup>30</sup> It is also possible to use momentum maps in a change project to plot likely low points and consider how to avoid them and what measures to put in place to counteract them.<sup>31</sup>

Not only will there be different forms of readiness within an organisation, but usually the awareness and commitment levels will vary according to the level of employee within the organisation. This often presents problems in the implementation of change. For instance, a senior team of an organisation may be expert at anticipating future market trends over the next five to ten years. As a result, the team may recognise that the organisation needs to start to change now in order to be able to respond competitively to the changing environment. However, if the organisation is in good health, with excellent profits and high staff satisfaction, the problem the senior managers face is how to demonstrate the need for change to lower levels of staff. This links to the points made above under the discussion of time. If senior managers initiate change proactively in the absence of a crisis, but due to a predicted need for future change, this creates a situation where there is plenty of time but also, therefore, very probably a low readiness for change in the organisation. As we describe above, this was one of the challenges faced by senior management at JLP when they initiated the wide ranging *Branch of the Future* change programme (see Chapter 2, Section 2.4.1).

The second form of readiness for change, a constant agility, a receptivity for continuous recreation of the organisation on an on-going basis, is similar to the concept of 'employee engagement'.<sup>32</sup> This is an idea that has been gaining momentum over recent years in response to the concern generated over the reports of high levels of work overload, stress and fatigue associated with continuous change. This is discussed further in Chapter 7.

## 4.8.2 Readiness and design choices

A low readiness for change has implications for the *change path* selected. If an organisation has a complacent workforce, the change may need to take a *change path* that is big bang in nature but only achieves (deliberately) realignment rather than transformation for the organisation. This high-impact change design may be necessary in order to shake staff out of their complacency in readiness for a subsequent more fundamental change initiative. This is what was done at Glaxo at the beginning of the 1990s to achieve some level of readiness among staff.<sup>33</sup>

If personal change is not perceived as necessary by staff, this also impacts the change style. If time allows, the change agent may need to lead a participative or collaborative campaign that engages the personalities of the staff involved. Merely directing staff to change may be insufficient. Likewise if there is low readiness for change it may be impossible to expect change to *start* at the bottom of the organisation and percolate upwards. Instead, top-down change may be necessary to kick-start the process. Alternatively, change agents could consider using pockets of good practice or pilot sites to start change initiatives. These pilot sites could symbolically act as role models for the rest of the organisation. Chapter 5 discusses these issues and tactics for developing readiness in more detail.

A low readiness for change is likely to necessitate a *change role* of strong championship. Anyone who is to lead the change must demonstrate two things to the rest of the organisation: a belief or passion in the need for change and a commitment to change themselves. The change leader must also demonstrate the visible manifestation of that change to all staff in the organisation. Therefore, senior managers who are potential change champions need to be assessed against these criteria. Otherwise, they may espouse the need to change to the rest of the organisation, while contradicting what they espouse by not changing their own working practices.

*Change levers* to be considered when there is low readiness for change include personal development courses for senior managers and other levels of staff, which are designed to encourage them to recognise the need for change. Where staff understand the meaning of the change but perceive little gain from it, the change agent may need to accept that some staff will not change and therefore contemplate voluntary or compulsory exits from the organisation.

When the organisation displays a high readiness for change then change champions may find themselves pushing on an open door. The menu of design choices is increased.

Illustration 4.7 below describes the approach taken to overcoming resistance and building readiness at StatoilHydro, the Norwegian multinational oil and gas company, during its post-merger restructuring phase (following the merger between Statoil and Hydro Oil and Gas). The lack of readiness to change was addressed through extensive communication and justification of the need for the change, although the approach was also slightly coercive. The high-reliability environment made it impossible for platform workers to reject the relocation of new workers into their platform team, and thus, ultimately, the new common working practices. In addition, the training and development interventions put in place for managers were about building their capability for change. However, simultaneously these interventions were also designed to build their commitment to and understanding of the change process and the role they were expected to take in it, so as to not leave the organisation in the situation just described above, where those needed to lead change were not ready to act in the role of change champions.

## ILLUSTRATION 4.7

**Building capability and readiness for change at Statoil**

On 1 October 2007, Statoil and Hydro Oil and Gas, joined forces to become StatoilHydro (later Statoil). Although both companies had been important players in the Norwegian oil industry and central to the nation's oil-based wealth, their strategic goals were increasingly tied to international growth. Indeed one of the key goals for the merger was the creation of a leading international oil company. The CEO explicitly stated that the merger was driven by ambitions of growth rather than pure efficiencies. However, a second goal of the merger was to secure efficient operations on the Norwegian continental shelf by building on the best practices of both companies.

The Norwegian oil industry has some specific features. The industry is a high-reliability context in which any operational accidents potentially can have detrimental consequences for the employees (particularly those working offshore) as well as for the environment. Any organisational changes must therefore be weighed against potential safety concerns. In addition, both Statoil and Hydro are partly state-owned, and they have a history of extensive collaboration with the unions. In order to secure safe operations, focus resources and facilitate learning from experience, the post-merger integration process first targeted the onshore units, whereas offshore units were not integrated until two years later.

The post-merger restructuring plans for the offshore units were not only ambitious, but also controversial in many ways for the offshore workers working on the platforms. Previously there were a variety of operational models, each customised to a specific platform. Post-merger, new and standardised work practices were to be introduced across all platforms. Corporate management used the metaphor of airline crews to get the idea of the new platform operating principles across. Just as an airline crew works in an airplane, the offshore platform teams were to be capable of walking onto and operating any platform. This, it was argued, would break down historically closed platform-specific cultures that hampered change and transfer of best practice across platforms.

The changes therefore required a level of flexibility not previously asked of staff and it challenged

engrained ways of working. The goal of standardisation was to be delivered through two major changes: (a) work practices across all offshore business units were to be standardised through a shared operational model; (b) people were to be relocated, with managers and employees from the two pre-merger organisations purposefully mixed through carefully designed redeployment practices. These changes were controversial not just because they changed historic ways of working, but also because previous attempts to implement shared practices across platforms had been resisted.

There were two issues that needed to be tackled for the changes to be implemented successfully. The first was to do with change capability and the second was readiness for change. First, the platform managers and others at middle manager levels in the organisation were not used to acting as change agents. Traditionally their role had been to represent the platform employees and their concerns about change, if anything pushing back against change. Secondly, the offshore employees traditionally had a lot of power and were used to being able to resist changes they considered inappropriate. In general, since offshore platforms are high-reliability contexts they represent a challenging context for organisational change. Living on a platform was likened to living on a bomb. As stressed above, it is, therefore, critical that organisational change processes do not compromise safety. In addition, older platforms were often self-contained and autonomous with active union membership. The teams that operated them were platform specific. Their esteem was based on a history of good platform results and on being valued for their platform specific knowledge. They knew what was best for their platform. Offshore platforms tended to have distinctive individual cultures, with close ties between management and employees. The teams often saw each other as their second family given how closely they lived and worked together when offshore. As a result, their readiness for change was not high since they were used to being in a strong negotiating position and resist changes.

**Illustration 4.7 (continued)**

To deal with the issues of change capability significant effort was put into training, support and developing change agent skills. Senior and middle managers, both onshore and offshore, were trained to be change agents and by their own behaviours be role models for the change. It was made clear to managers that they were expected to take on an active change agent role. As part of this, an additional purpose of the training was to give clear direction that managers were expected to be loyal to the goals of the restructuring. This included use of very explicit language by those leading the training meetings and change workshops, such as, 'You are a leader now!'. These ideas were not only communicated but the implications of them for the individual managers were unpacked. The platform managers in particular were on record in interviews as expressing the view that they had been given the clear message from senior management as to which side they should be on. Rather than speaking on behalf of platform employees, which had previously been the norm, the platform managers were expected to be loyal to the change. Furthermore, practices were put in place to closely monitor the implementation process, such as establishing milestones and regularly measuring change progress.

To build readiness, corporate management engaged in extensive communication offering many arguments in their communication to persuade both offshore and onshore employees of the case for change. They argued that a more harmonised way of operating platforms would enhance safety, and by increasing organisational flexibility would gear the merged organisation for growth. Management also linked the changes and the change process to the high-reliability environment when introducing future possibilities for the organisation. They explained that it was anticipated that over time a number of platforms would be closed down due to the predicted reduction in oil reserves in the North Sea. Meanwhile new platforms would be developed nationally and internationally. However, this would require greater flexibility from employees who could be relocated not only between platforms offshore, but also onshore, as new technology allowed for operations

to be performed from a distance. Corporate management was careful to emphasise that no one would lose their job, emphasising instead the projected growth of the company.

However, management also supported their communications through action. The restructuring involved relocating approximately 30 per cent of the workforce between offshore business units. This was done to purposefully mix people from the merging organisations. Corporate management defended this action by pointing to the current practice of using hired consultants and contractors, who worked across a variety of different platforms integrating with the different platform teams as they conducted their work without compromising the safety of operations. In addition, staff were to be rotated between offshore and onshore roles more than in the past. This was particularly controversial as a move from offshore to onshore involved a temporary loss in the status (and the significantly higher wages) tied to working offshore.

The relocations had practical implications that employees could not ignore. The response of many platform employees to the change was that they were the ones with intimate knowledge of the platform, yet they were no longer listened to. In their view, they only resisted change that compromised safety or did not make sense based on their operational competences. However, now with standardised practices across platforms and part of their work moving onshore, the platform-specific knowledge was less relevant and no longer a source of power. Furthermore, with experienced 'family members' relocated and new workers coming on to the platform, it became risky for any team of offshore workers going out to a platform not to implement change, as they had done before when similar changes were attempted. The high-reliability context made this too dangerous. They had to quickly establish trust with new people and integrate them into the team, making it difficult to retain old work practices. As such, they had little choice but to embrace change.

*Source:* written by Prof. Inger Stensaker, NHH Norway, from original research.

## 4.9 Power

A consideration of power examines where power is vested within an organisation (see Figure 4.9). It is to do with the identification of the major stakeholders (within and outside the organisation) and individuals or departments that hold power in the organisation. Power can exist formally or informally within the organisation. Other issues include whose support must be canvassed and how much discretion the change unit holds.

### 4.9.1 Assessing power

Power can be understood on many levels. Here it is considered from two perspectives – the personal power exercised within organisations by individuals or groups of people, and the power of the organisation to determine its own future.

Understanding the personal power and politics within an organisation, and identifying the major power brokers, is critical. The best choice in design terms may not be

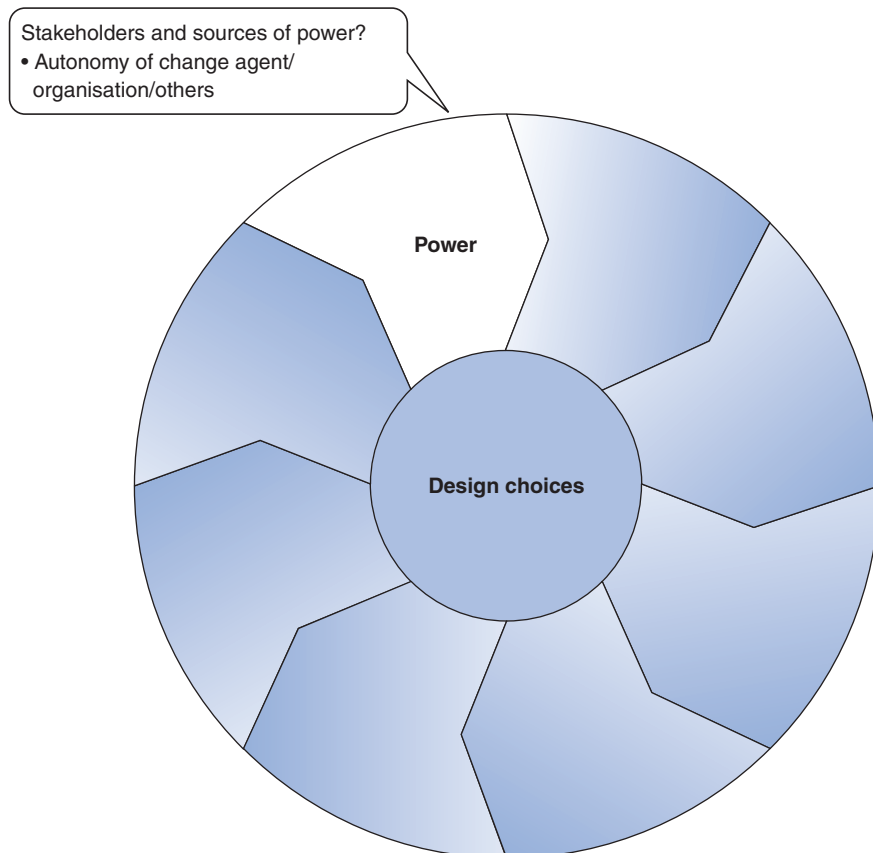


Figure 4.9 Contextual feature: power

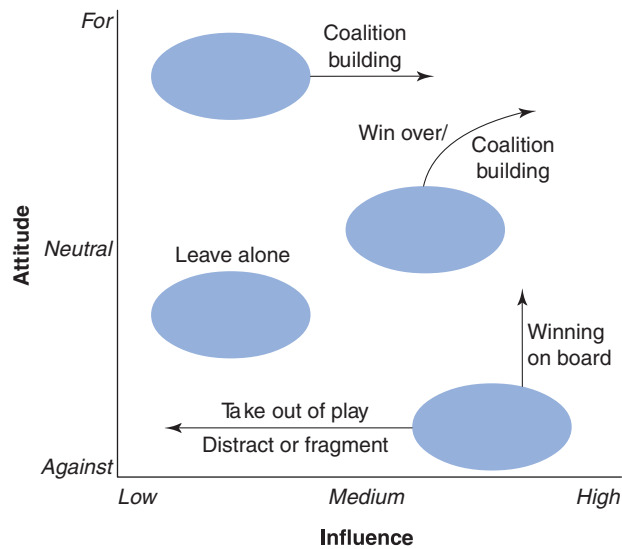


achievable because of powerful coalitions who may block the change because of their own agendas. For example, Illustration 3.6 showed how a powerful group, in this case a group of air traffic controllers, blocked the implementation of a redundancy plan by the senior management of the organisation. However, there is also a difference between the formal power an individual/team wields and the informal power – the extent to which people in the organisation are willing to follow individuals in leadership roles. Individuals may hold a nominally powerful role, and have the ability to reward or punish through promotions, pay rises or withholding these, but unless they are liked, trusted and seen as credible, other individuals in the workforce are less likely to be inspired to follow them. Instead they may resist change. It is not just the credibility of the change message that matters, it is also the credibility of the individual communicating that message. Again, this touches on issues of leadership and trust discussed in Chapters 6 and 7.

In organisational terms, many change texts assume that an organisation's management team have full latitude of discretion in terms of the choices they can make about change. In reality, many organisations are constrained in what they can undertake by their relationship with other institutions. This is particularly true of public sector organisations contemplating change. They may not be allowed to choose the obvious or best course of action because of constraints placed on them by their political masters, and they may have change imposed on them. See the case study at the end of this chapter on the creation of and subsequent change process at HMRC, Her Majesty's Revenue and Customs, through the merger of the Inland Revenue with Customs and Excise.

However, this lack of room for manoeuvre is not restricted to sectors with government involvement. In private sector organisations change agents face other constraints on their decision making because of forces beyond the organisation. For instance, membership of a group of companies can be a constraint. Shareholders or institutions like the stock market can also have an impact on change. A useful way of assessing who has power and their position on the proposed change is to use stakeholder analysis. Stakeholder analysis enables a change agent to identify those key individuals or groups of individuals who have an interest in, or are affected by, a particular change initiative. Stakeholders may include not only employees, managers, shareholders and unions, but also customers, suppliers and, potentially, the wider community. The grid as shown in Figure 4.10 can be used to plot the relative power of these different stakeholders to either facilitate or hinder change and whether or not they view the proposed changes favourably. Those that have power and support change need to be encouraged to support and back the changes. Those who have power but do not view change favourably either need to be convinced of the wisdom of the changes or worked round in some way. Such knowledge can then feed into the way a change agent attempts to build networks of support.<sup>34</sup>

Illustration 4.8 below describes the case of the Co-operative and how internal governance structures built around mutual consensus and democratic decision making as well as the resistance of particularly powerful groups in the organisation to proposed changes created strong barriers for its former CEO, Euan Sutherland, to initiate the necessary change process. Change was eventually achieved by Sutherland's successor.



**Figure 4.10** Stakeholder analysis

Source: reprinted from Grundy, T. (1998) 'Strategy implementation and project management', *Journal of Project Management*, 16(1), pp. 34–50. copyright © 1998 Elsevier Science. Reproduced with permission.

## ILLUSTRATION 4.8

### The power of governance: resisting change at the Co-operative

The Co-operative Bank is a UK based retail and commercial bank, founded in 1872. In 2013, the organisation experienced a challenging year as its turnover decreased from £13.6bn the year before to £12.8bn. As a result the Co-op Group, which consists of a diverse range of retail businesses such as supermarkets, funeral services and legal services in addition to its bank offerings, registered a loss of £2.5bn and a debt of £1.3bn at the end of 2013. One of the key characteristics of the Co-op Group is that it is democratically governed, owned by its members who make joint decisions. It also prides itself on its ethical approach to investing and lending. While its financial stability came under scrutiny, its reputation was further diminished when the bank's former Chairman Paul Flowers, a Methodist, was caught purchasing drugs and subsequently found guilty of possessing cocaine, earning him the nickname 'Crystal Methodist'.

As a result of the financial difficulties, Flowers stepped down as chairman of the Co-operative

Bank in June 2013. Simultaneously, during that time several executive changes happened. This included the appointment of a new Chairman to the bank, Richard Pym, as well as a new Chief Executive, Niall Booker. Also Euan Sutherland was appointed CEO of the Co-operative Group and Richard Pennycook took over the position of group's finance director. A restructuring plan for the bank followed which involved lay-offs, the selling off of businesses, closure of bank branches and a much-debated recapitalisation of the bank involving hedge funds in order to reduce debt. At the group level, the CEO Euan Sutherland also sought to introduce significant changes such as a modification of Co-op's business structure and member rewards. However, he resigned surprisingly in March 2014 after 10 months in the job allegedly being forced out by Co-op members, having failed to put into practice the transformational changes he hoped for.

At his departure Sutherland suggested that the group's governance structure had operated as a

**Illustration 4.8 (continued)**

barrier to his change efforts, claiming the organisation to be 'ungovernable'. Particularly its democratic nature of decision making meant that initiatives could not be implemented as quickly as appeared to be necessary. At the same time Sutherland faced criticism and resistance by members of the Co-op board which he described as 'remorseless rudeness'. The proposition to radically reform the board's governing structure to make it more corporate, based on the assessment of Lord Myners, a former Labour City Minister and board member, received the strongest opposition from regional Co-op representatives. The plans included a proposal to replace the member-led board, which Lord Myners described as 'dysfunctional' and lacking in the necessary skills and knowledge to assess the organisation's financial situation, with a dual governance structure. This proposal consequently promoted a clash between the group's traditionalists seeking their democratic powers to be saved and those who recognise the need for change. Lord Myners resigned in spring 2014 following concerns about unethical practices, lack of accountability and financial management across the Co-op.

At the beginning of October 2014, the Financial Conduct Authority approved an overhaul of the Co-op's governance structure which had previously been voted in with a majority of the group's members.

It will include the formation of a new board of the Co-op group including several independent non-executives as well as a non-executive chair and reducing the number of directors from 18 to 11. At the same time mechanisms to ensure accountability will be introduced such as a 100-member strong council which is to elect a sensate to supervise the actions of senior management. In order to restore trust with its customer base, a new advertising campaign for the Co-op Bank has been designed which emphasises the importance of ethics and values, following the motto 'for all the right reasons'. In addition, following a participative approach which seeks to collect the voices of 74,000 customers and employees, the Co-op is planning an update of its ethical policy. It seems as if the much needed transformation has been put in motion while Co-op's future continues to be uncertain.

*Source:* adapted from Jones, A., Thompson, J. and Felsted, A. (6 June 2013) 'Co-op brings in 'safe hands' to head bank unit', *Financial Times*, p. 18. Bounds, A., Goff, S. and Felsted, A. (12 March 2014) 'Co-op 'rescuer' lost mutual respect', *Financial Times*, p. 21. Goff, S. (14 April 2014) 'Co-op Group's loss highlights reform urgency', *Financial Times*, p. 23. Goff, S. (25 April 2014) 'Co-op riven by internecine power struggles', *Financial Times*, p. 21. and Davidson, J. and Ficencic, J. (1 October 2014) 'Could this mark a fresh start for the Co-op Bank?', *The Telegraph*, <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/11132582/Could-this-mark-a-fresh-start-for-the-Co-op-Bank.html>, accessed 13 January 2015.

## 4.9.2 Power and design choices

Power, or lack of it, can influence the choice of change *path* taken. A business division may badly need transformational change, but its managers can be prevented from embarking upon such a route because other more powerful divisions, or the group's centre, block their actions. Equally a powerful parent can be a strong facilitator of change.

Powerful individuals may block the change path in the same way. A powerful chief executive who feels a potential threat from the proposed change can squash a plan for transformation in favour of more modest realignment routes. Equally, an overly powerful change agent or executive can insist on a change process which is disproportionately large in comparison to the problem the organisation is trying to address. However, the agent or executive concerned may see this as a way of raising their profile and visibility within the organisation and the wider business community.

Powerful individuals, such as managing directors or chief executives, can push through directive change. However, where the agent has identified powerful groups within the

organisation whose support and commitment needs to be retained, then a more collaborative style is appropriate. Paradoxically, highly powerful individuals, such as chief executive officers who take a leadership role, can be counterproductive when the *target* for change is values and the culture they are trying to remove is one based on blame and fear. If the CEO is seen as a bully but leads the change, staff will merely start to mimic the desired values because they feel threatened. This will not lead to significant change and the issue will never be addressed due to the atmosphere of fear.

Power is critical when assigning *roles* within a change process. If a change champion is to be appointed then the change agent needs to pick a powerful individual or provide the individual with powerful backing. Then they also need to consider other stakeholder groups and whether or not to incorporate them in some way into the change process, particularly if these groups could be obstructive. In the case of GKN, for example (Illustration 4.1), all restructuring decisions senior management made were collaboratively discussed and decided upon with the unions. This was necessary as the manufacturing sector is highly unionised and GKN itself has a group of powerful union representatives.

Specific *levers* to deal with power include techniques such as breaking and re-forming both formal and informal power structures within organisations; using the existence of cliques, networks and those with influence to gain buy-in for change; and drawing on resistance management techniques.

## Summary

In this chapter we have discussed the need to analyse the change context in order to avoid using inappropriate change formulae. It has explained in some detail how to assess the eight contextual features of the kaleidoscope (time, scope, preservation, diversity, capability, readiness, capacity and power) and how the nature of these contextual features impacts on the design choices (change path, start-point, style, target, levers and roles) discussed in Chapters 2 and 3. We show how the contextual analysis is the key to successful change since it is the context that should drive the design choices that are made rather than personal bias on the part of the change agent. This links to the change agent skill of change judgement discussed in Chapter 1. A key skill for a change agent is to be able to recognise what is critical in the particular change context, and design a change process that addresses it. In particular this chapter has:

- explained the use of the change kaleidoscope as a diagnostic framework for mapping the change context;
- described each of the eight contextual features of time, scope, preservation, diversity, capability, capacity, readiness for change and power from the kaleidoscope;
- discussed the design implications of each of the contextual features;
- outlined the various diagnostic frameworks that can be used to understand these contextual features.

Having established the link between change context and change design choices, the next three chapters explore the design and management of the transition process.

## Notes

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## WORK ASSIGNMENTS

- 4.1 There are many textbooks and articles on 'how to do change'. Read two or three of these to identify the different change recipes advocated.
- 4.2 Identify and read at least five major news articles from reputable sources on the financial crisis of 2008. How much time did the banks and governments take to respond to the crisis? Was the speed of their response appropriate to the crisis itself?

- 4.3 Consider an organisation with which you are familiar. Identify the aspects of the organisation that would need to be preserved in any change initiative and explain why.
- 4.4 How can you evaluate change capability within an organisation? What sources of information, for example, could you draw on?
- 4.5 How might a lack of capacity (cash/people/time/trust) affect your design choices?
- 4.6 How might a change agent raise levels of (a) intellectual awareness of the need to change in the work place and (b) emotional commitment of individual employees to change their own behaviour? In your answer categorise the possible interventions in terms of technical, political, cultural and interpersonal dimensions.

## CASE STUDY 1

## Merging to achieve change – Her Majesty’s Revenue and Customs (HMRC)

Professor Veronica Hope Hailey (University of Bath), Dr Julie Verity (Cass Business School) and Professor Julia Balogun (University of Bath) (*The authors acknowledge the valuable contribution made to the research supporting this case by Dr Sue Abbotson, Dr Caroline Clarke, Dr Elaine Farndale and Dr Clare Kelliher*)

This case study describes the merger and associated changes of two UK government departments, Customs & Excise and Inland Revenue, to one single organisation: Her Majesty’s Revenue and Customs (HMRC). It can be used to help students and other readers of this book deepen their understanding of how to apply the change kaleidoscope in practice, and how to develop change judgement. Assignment questions are at the end of the case.

### An Efficiency [plus] Agenda

Collecting the UK’s taxes on behalf of Her Majesty’s Government was the official duty of two departments, Customs & Excise and the Inland Revenue. There have been two State revenue departments since 1799 with Customs dating back to the 13th century, but in April 2005 their 206 years of separate histories and identities ended officially when a single integrated tax department was created by an Act of Parliament. The new single tax collecting organisation was given the title: HM Revenue and Customs [HMRC]. At that time, in 2005, approximately 105,000 employees of the merged departments dealt with 35 million UK tax payers’ assessments and payments, collected corporation tax from 4.5 million businesses and delivered an annual revenue return to the UK Treasury of £370bn. The enormity of the numbers indicates the challenge that many predicted this merger would prove to be. Accountancy Age ([www.accountancyage.com/2040343](http://www.accountancyage.com/2040343)) reported: *The task... .. is Herculean*, and added another desired outcome for the combined organisation, that of reducing the tax gap, estimated at the time to be £26bn.

The decision to merge these two huge and long-standing state departments was taken after consideration of the findings from two government-commissioned reviews. The O’Donnell Review (March 2004), identified that the greatest net benefits were found from the creation of a new, single department, which promised improvements to:

- customer service and compliance costs, through coherent policy advice and service planning, customer education and advice, processes and systems, and compliance activity;
- effectiveness, through alignment of strategies, a coherent approach to information, new approaches to compliance, and flexible resource allocation: by helping to ensure that the right tax is paid by the right people, fairness would also be enhanced;
- efficiency, through economies of scale and the impetus of transformational change, particularly in transactional processes.

In the Budget of 2004 the Chancellor announced he had accepted the recommendations of O’Donnell for a single integrated tax department. Gordon Brown also announced that Her Majesty the Queen had approved the new name of the department and had appointed David Varney as the first executive chairman with Paul Gray as his deputy, with effect from 1 September 2004. David Varney was one of the advisers to the O’Donnell review. The popular press typically described him as a ‘Captain of Industry’, choosing to highlight his background in the private sector. There were suggestions that the Chancellor was keen on recruiting someone for the top job with substantial industry experience rather than from the civil service. Varney fitted this profile. He had been Chairman of mm02, the leading telecommunications company, since it was founded in May 2001. Prior to that he had held several senior positions with Shell across different locations in Europe. Paul Gray on the other hand was formerly the Second Permanent Secretary in charge of pensions and disability at the Department for Work and Pensions. He was a career civil servant who, having started his career at HM Treasury in 1969 as a professional economist before transferring to mainstream Civil Service administrative



Case study 1 (continued)

roles, had a strong ‘insider’ perspective on the history of this merger.

See Figure 1 for a description of the range of activities across the merged organisation.

Culturally, the two departments were very diverse owing to the broad range of activities the organisations embraced. Within Customs, operations ranged from law enforcement to collecting VAT and providing tax services to customers. A comparable range of activities were undertaken by the Revenue, with a focus on the collection of private and corporate tax. The Revenue was also responsible around this time for some major reviews and projects, for example: simplifying pensions.

Comparing cultures across the two departments, Customs was seen as pragmatic and good at getting

things done. Decisions were made relatively easily and efficiently within a team-working culture. There was a good-humoured strap-line batted around internally which referenced the ‘Customs way’ as: *READY, FIRE, AIM!* Generally, the culture at the Revenue appeared more bureaucratic, rather slow, with a focus on analysis and abstract concepts such as formulating new tax policy. The prestigious part of the Revenue was policy making, a relatively small, intellectual group. Many of those outside of this group, the majority of staff, talked about themselves as ‘*in operations*’ or ‘*operational*’, labels which inferred a second-class nature. While all the official language about the impending change was about *merging*, there was fear in both camps that they were about to be taken over and subsumed into the other’s culture.

HMRC exists to ensure the correct tax is paid at the right time, whether this relates to payment of taxes received by the department or entitlement to benefits paid.

They **collect** and administer:  
**Direct taxes** – paid by you or your business on money you earn or capital you gain.

- Capital Gains Tax
- Corporation Tax
- Income Tax
- Inheritance Tax
- National Insurance Contributions

**Indirect taxes** – paid by you or your business on money spent on goods or services.

- Excise duties
- Insurance Premium Tax
- Petroleum Revenue Tax
- Stamp Duty
- Stamp Duty Land Tax
- Stamp Duty Reserve Tax
- VAT

They **pay** and administer:

- Child Benefit
- Child Trust Fund
- Tax Credits

They protect the UK public by enforcing and administering:

- Border and frontier protection
- Environmental taxes
- National Minimum Wage enforcement
- Recovery of student loans

What they stand for [as published in 2007]:  
 ‘We know most people and businesses want to do what’s right – to pay what they owe and claim only what they’re due. We’re committed to making it as easy as possible for our customers to get it right. We protect society by dealing firmly with anyone who intentionally avoids their responsibilities.’

HMRC employed close to 95,000 staff (2005). Major areas of work were in the following services (approximate proportions):

- 15% call/ enquiry centres [receiving 60 million incoming calls p.a.]
- 32% back office processing
- 18% local compliance
- 10% debt management

There were 300 locations and 600 offices.

Figure 1 Activities of the HMRC

## Case study 1 (continued)

**Making a start**

Given all the signals over the recent past, the Chancellor's decision, in the spring of 2004, to merge the two Departments came as no surprise to anyone. The top jobs were announced, but neither Gray nor Varney were officially in post until September and the new HMRC had no legal status until legislation was passed through Parliament a year later. Over the summer of 2004, Varney and Gray spent some time engaging with the most senior people in both departments and attending some early meetings with a committee tasked with transformation – called TRANSCOM. (This high-level committee was required because a single board for HMRC could not be formed until the Act of Parliament had been passed, allowing the two organisations to be merged – legally. This committee was effectively replaced after HMRC was constituted by EXCOM.) During these early months, the two leaders were intent on communicating some key messages:

- this was a merger – not a takeover by either department;
- this was a complex and challenging organisation, designing a new HMRC would be a team exercise, there was no pre-conceived, top-down plan;
- the departments must keep working, performance must not suffer as a result of change initiatives or employees taking their eye off the primary task of collecting taxes.

On the first official day of Varney and Gray's appointment, 1 September, one hundred of the most senior staff met for a 2-day conference. There were no announcements from Varney and Gray about forward plans. Their stance was that they were newcomers and had invited the experts along to decide, democratically, the way forwards. This approach came as something of a surprise to those being asked to take part in the exercise. An international consulting firm was hired to facilitate and was retained throughout the process of designing and introducing a new structure.

Recognising the importance of the customer voice, 20 representatives of customer groups were invited to the September 04 conference. Each was given ten minutes to share experiences, stories and

perceptions about the services they received from HMRC. Some of these were positive, some were not so flattering. Also attending, were two Chief Executives of large, private companies that Varney judged managed similar processes and activities to those of the Authority.

While the two leaders did not force an agenda on the meeting, they had already formed some ideas about areas that would need to change to make the new HMRC deliver. Performance and accountability, for example, were words that were hard to find in the organisation's vocabulary. And, despite the huge amount of clerical and processing work that was done across the various offices, it would not measure-up against modern-day equivalents 'out there' in industries which relied on similar large-scale systems (similar to those run by the visiting CEs at the September Conference). Feedback mechanisms, providing information about the performance of processes and operations were lacking, allowing little chance for improvement.

Also, the TRANSCOM team – led by Varney – were minded *not* to follow the example of change initiatives in other tax authorities abroad. Here, typically, structures had been simplified and complexity reduced resulting in clear accountability and well defined territories with senior management very much in charge of solving major operational problems. In Varney and Gray's mind was the idea that this simplification might sacrifice some of the valuable synergies and interdependencies that could be reaped if complexity was retained in the structure.

From the September conference, eleven initiatives emerged. Since the conference was held in Lincoln, these became known, informally among senior leaders as the 'Lincoln Eleven'. These were *pilot projects*, and were arrived at as the output from group work done during the conference. There was some confusion about how these would 'fit' with the workstreams that had already been defined and had started. There was general concern that these were not thought through or considered in context with (what seemed to be) parallel change activities.

A second, similar conference was held in February 2005 when the focus became the organisation chart and how to structure the vast new organisation. Varney thought from very early on that the structure would require high levels of



Case study 1 (continued)

collaboration and collegiality if it was to retain complexity. He saw this as a challenge generally for organisations that had spent the majority of the past in ‘stove-pipe’ structures – like Customs and the Revenue. He ‘read’ the culture at HMRC as similar to that found in universities, where ‘cooperation’ meant agreeing when in public, but doing the opposite when back in the comfort of the study, or classroom and, where there is very little appetite for confrontation and resolution of difficult issues. Varney was clear in his mind that the change HMRC needed was a radical shift in behaviour. For an organisation of this size and where employees often spent very long periods in the same ‘stove pipe’, as well as long periods of their careers in the civil service, this was going to be a sizeable challenge. With his predisposition for metaphors, he said that this was not about turning a fat caterpillar into a thin caterpillar, it was about transforming a fat caterpillar into a butterfly.

Colour coded

The change process during this first six months continued to be open and involving with the people

at the top of the organisation. Out of the conference and subsequent workshops an organisation chart emerged (see Figure 2), 26 groups were defined and given relative autonomy as ‘business units’. These units were then allocated to Board members for reporting purposes, but *not* along classic lines, rather responsibility was divided into a matrix arrangement. The idea was to encourage senior people to work across teams.

It was during one of the workshops that facilitators reached for different coloured paper to organise the units by activity and these colours became proxies for the allocation of responsibilities within the portfolio. For example, customer-facing roles, which were largely unacknowledged in the old separate Departments, were allocated the colour Green, policy-making activities were labelled Blue, red signalled common services and functions, while Yellow by far the largest part of the HMRC’s work, denoted processes.

Each of the leadership [EXCOM, the name given to the Board of the merged department, which replaced the TRANSCOM after HMRC gained legal status] team were given portfolios of

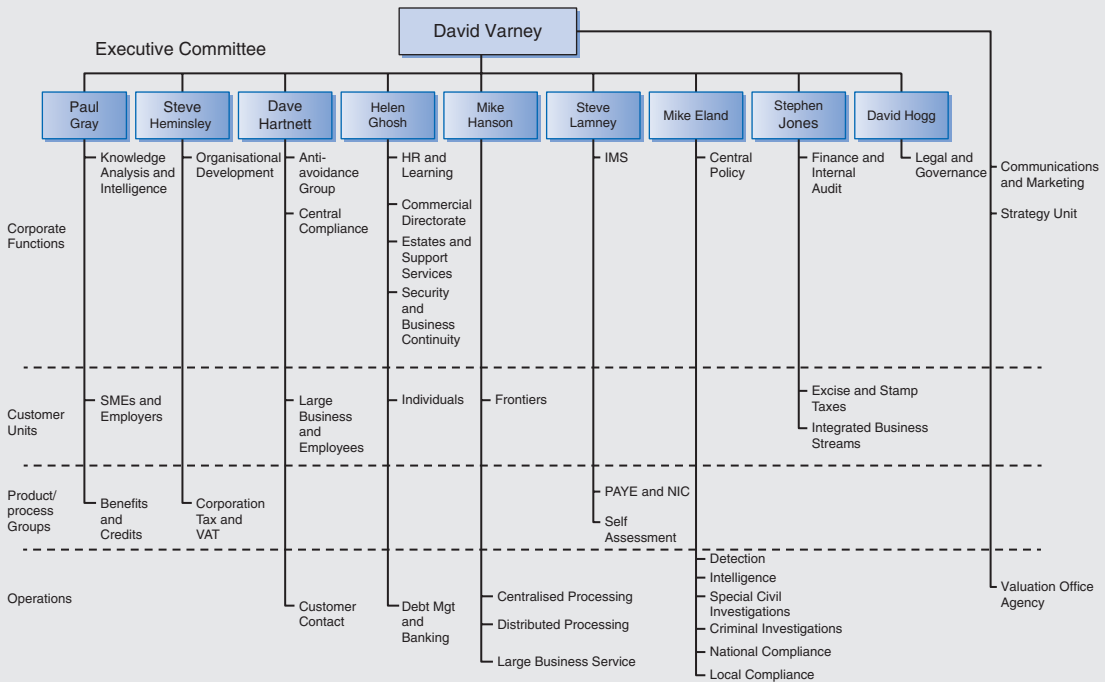


Figure 2 HMRC organisation chart

## Case study 1 (continued)

responsibilities that cut across these activities – so that each member of the senior team had, for example, some Red, some Green and some Yellow accountabilities. Inevitably, people started talking about their roles in this new colour language, e.g.: *I am mainly Blue with some etc...* It took some time to explain the allocation of responsibilities among the top team to those further down the organisation.

In parallel, specialist consultants were hired to review the talent among the senior ranks. The process started with the forty most senior civil servants and cascaded. Individuals could not be given new responsibilities or job titles in the organisation chart until the Act of Parliament had completed its journey through both Houses of Parliament. Soon after the Bill was passed during the first half of 2005, the top 300 positions in the newly merged structure were announced and executive responsibilities defined. The plan was to roll out the rest of the organisation over the following two years.

Meanwhile, a new brand identity was designed and launched with very little glamour or noise. Many local offices did not use the new livery. Several attempts had been made to cascade information about change through the organisation. A new magazine was launched and an intranet page was set-up for information and emails. Gray created OPCOM – a weekly meeting of senior people where operational issues were shared and discussed. At this meeting, members were encouraged to raise difficult issues and bring solutions, a significant change in behaviour from the past when it would have been more comfortable to leave things as they were. A Senior Appointments Board was created to take executive placement within the top tiers away from the informal routes that were practised in the past. And Varney pursued his strategy of getting about as much as possible to speak with staff further away from the Executive.

The Commissioners for Revenue and Customs Act 2005 was passed on 7 April and the new HMRC was ‘official’.

### Spring 2005

Election Day was set for May 5th 2005. During the run-up to this day with its associated uncertainty about who would govern HMRC, the senior

team continued to roll out change. Some of the top people had quickly and successfully adopted the self-deterministic style that Varney and Gray were set on and were redesigning ‘merged’ functions. One of the forerunners in this process was the Large Business Service (LBS), with approximately 2,000 staff. This was an area where the old Customs and Revenue teams had been liaising since 2003 (an initiative called ‘Closer Working’, which had not been a huge success) and was given the go-ahead to merge fully from September 2004. Even though the merger resulted in overlapping roles, headcount remained unchanged. ‘Surplus capacity’ was redirected to work on projects related to the merger.

Central services were working on their structures with a degree of local discretion and with some influence from EXCOM. HR and finance were essentially working together across the two old Departments. Similar to the LBS, however, no staff had been lost to date against the target of a reduction of 12,500 staff over the next three years. Within merged functions, terms and conditions of employment were not yet harmonised, meaning that staff were working under parallel sets of employment terms. Indeed, in the HR area, there were about 150 separate policies and processes to evaluate in terms of how best to integrate. The salary scales of the old Revenue and Customs were different and there would need to be a review and alignment of all of these. Discussions with relevant trade unions had started but only slowly and as yet, nothing had been agreed about the way forwards. (About 80 per cent of the workforce were members of a trade union.)

The underpinning IT services and systems were seen as crucial to the transformation, to both increase visibility of information and, to start driving down longer-term costs. It was estimated that there were something like 250 major systems and a further 400 minor ones at this time. The task of bringing these into the same operating environment was significant and judged to be a project that would take at least eighteen months to complete. One estimate of the investment needed to modernise these systems was given as £2.5bn. A year of work was the estimate given to achieving a single, integrated HR and Finance system.

The resources to implement merger activities needed to be found – both money and expertise.

## Case study 1 (continued)

Hence, given these timescales and necessary financial investments, rather than be optimistic about speedy cost savings, some people cautioned about the need to be realistic about when efficiency targets might be delivered.

Countering these arguments, examples were given of the savings that could be gained quickly and easily by simple standardisation. Take envelopes, for example. Typically, 170 million forms were posted-out to customers annually. In the past many different envelopes were purchased by different procurement functions to mail these in. With a central purchasing function looking after a rationalised range of envelopes, large and immediate cost savings could be achieved. And, simply being more accurate in mailing forms could also result in some easy and early successes. Increasingly, tax payers were making their self-assessment submissions online, making forms obsolete, but these same customers were still mailed a form, or two!

In April, when asked about progress, Varney described the HMRC at the stage of an emerging butterfly, with wings still crumpled and not able to fly. There were still many staff who had not been touched by any changes at all and others eager to move on. He saw the way ahead as behaviour change, wanting leaders to be tough on direction but vulnerable to feedback. By this he meant developing a capacity to learn from others and giving information and power away to those actually doing front-line work, while retaining a strong line on high-level direction. He was fairly confident that HMRC had built a positive relationship with the Trade Unions so far and was poised to take that forward after 5 May. Part of the London-based organisation had relocated to a new office and this, Varney reflected, had been a timely move. (The new building at 100 Parliament Street in Whitehall is light, airy and modern. It engenders a positive feeling of an organisation that is well funded and where achieving anything is possible. This was not the architectural environment that the majority of HMRC staff experienced at work.) Varney was very comfortable working with Gray and had no regrets about the journey so far, given the constraints that were largely external and completely out of his control. He remained adamant that a non-rational, unplanned but involving process had been a good choice for an organisation of this size, complexity

and the sort of behaviour change he was trying to deliver.

## Reporting to stakeholders

In December 2005, the first annual report of the merged HMRC was published. In his Chairman's Forward, David Varney reported on a period of 'unprecedented change' toward creating a 'modern, effective organisation that is responsible for over 20 different taxes and payments, protecting the UK's frontiers and facilitating trade across those frontiers.' In this report the money spent on integration activities were described.

- £1.9m for the new brand identity – which was 'considered to be urgent and in the public interest. This enabled the development of a branded internet site as a single point of contact for online customer information and transactions, and an integrated intranet site as a single point of reference for staff of the two former departments.'
- £10.3m for updating and integrating IT networks, and 'coordinating communications with businesses, the general public and other stakeholders'.
- £5.6 m for planning new processes, aligning key HR policies and processes and pilot schemes that have informed plans for future organisational changes.
- Total spend so far (not accounting for the time of employees) = £17.8m.

Later in the same report, the targets for the merger and the efficiency programme that would accompany it were listed as – to be delivered by 1 April 2008:

- savings of at least £507m and a reduction in staff numbers of 12,500 (12.7 per cent);
- A commitment to relocate 1,950 posts out of London and the South East [and a further 2,300 posts by 1 April 2010].

Between April 2004 and September 2005, the Report recorded a net reduction of 3,246 full time equivalent posts and non-headcount savings of £12m largely in procurement. It also reported a relocation of 480 posts from the South East. Improvement in IT services had enabled 17 per cent

### Case study 1 (continued)

(1.6m) of tax payers to file their Self-Assessment tax forms on-line.

About 60 per cent of total staff time at HMRC was spent on advising customers, processing forms, inputting data and enforcing debt. In this area, future efficiencies were planned from change initiatives listed as:

- introduction of electronic services;
- rationalisation of PAYE processing into 10 large sites – to gain economies of scale;
- reduction in the cost of processing forms by 30 per cent through ‘process improvement techniques’ and
- improvement in debt management.

Apart from cost savings, the Report recognised HMRC’s commitment to customers and the need to continue to offer choice of communication channels and to maintain service standards.

#### A good start

Varney was pleased with the progress made up to the end of 2005. He sensed a new set of behaviours emerging among his direct reports, the EXCOM members. EXCOM members were cooperating with each other and demonstrating how working together could deliver results. These projects, involving two or more EXCOM members and their respective teams, were acting as exemplars of best practice and setting an example for followers. He celebrated the success they had had training the top 46 leaders to be better communicators about change. He was pleased that some parts of the organisation were using the process of generating ideas, setting criteria for selecting ideas, choosing and taking action on those ideas. He perceived that the culture, at least at the top – among the 46, was more collegiate, more performance orientated, more reliant on numbers, less complicit in failure, less in victim-mode. All the behaviours he hoped would emerge from the new structure and example he and Paul Gray were setting. He thought more of his people were ‘standing up as leaders’, proved at least in part, by two of them being sought out and promoted by other government departments.

Paul Gray was also content that the restructuring and its associated activities were driving a big transformation in behaviour at what he called ‘the

heart of the organisation’ – the most senior players and some parts where synergies were already identified. The activities he highlighted as being especially important were those that acknowledged the complexity of the beast they were leading and the relationships within that needed establishing and building. To do this, he was viewing the organisation through four lenses:

- building functional expertise in process management;
- corporate and shared services [HR, IT/IS capability, Knowledge Analysis etc.];
- customer focus, specifically understanding customers and how they interface with tax collectors, with the aim of making HMRC an ‘easy-to-do-business with partner’;
- eliminating the divide between policy making and operations by making people responsible for end-to-end processes.

The challenge was not to make these into separate functions or groups, but to build networks of relationships across groups to make these activities work and deliver the outcomes the merger was designed for. It was these connections and relationships that Varney talked about with senior managers in his quarterly meetings and would form the basis of more formal performance reviews in 2006. How this new way of working would be cascaded deeper into the organisation was something that Gray acknowledged was going to need more attention over the next few months.

He concurred with Varney that people were changing in their openness and willingness to raise problems that existed and to solve these collaboratively with peers, a very different culture from the past when problems were better kept hidden, safely away from politicians, press and public. Gray was also reflective about progress towards the 2008 targets set by the government. He suspected they were lagging on these, but was sure the emergent process they had embarked upon was the right one to deliver longer-term, more permanent change even though they might sacrifice the medium-term result. When asked, he said the mechanism they would employ to facilitate emergent change was to have the right people in the right leadership roles. The big question was, however, did they

Case study 1 (continued)

have enough leadership calibre for all the roles they needed to fill?

2006 to 2008

In August 2006 David Varney stepped down from the Chairman post at HMRC, since he had been asked by the Chancellor ‘to advise him on the opportunities for transforming the delivery of public services.’ HMRC Departmental Report 2007.

Paul Gray took over the top position and continued with the job of transforming HMRC. In his first Foreword as Chairman in the 2007 Annual Departmental Report he reported that:

We continue to make good progress.... It is barely 2 years since we merged the Inland Revenue and Customs and Excise and the received wisdom is that performance drops when major re-structuring takes place. It hasn't. I am very proud of that achievement....

He went on to list successes to date including:

- On IT – the Report boasted completion of one of the largest software upgrades in Europe to create a shared platform for all staff.
- On staff levels – 10,144 FTE posts had been lost to March 07, 81 per cent of the target set at integration of the two departments. Also, 1,501 posts had been moved out of London and the SE, 77 per cent of the target.
- On cost savings (other than people) – the report said: ‘the main opportunities are in areas such as estates and procurement.... As at 31 March 07, we had closed or vacated 79 properties...removing 68,428m<sup>2</sup> of office space – worth £13.7m in annual running cost savings’.

The Capability Review

In November 2007, David Hartnett became Acting Chairman of HMRC. Gray resigned following the loss of two [encrypted] computer discs contained personal information of 25m child benefit recipients. During the last quarter of 2007, Sir Gus O'Donnell of the cabinet office, the most senior civil servant in the UK, announced the Department would undergo a Capability Review (in line with all government departments), conducted by

five independent external reviewers supported by a team from the Cabinet Office. The outcome was published in December.

On the positive side, the Capability Review found:

- a clear desire to transform and improve
- resilience and a proven ability to bring in money that funds public services
- a large number of bright, committed people with high levels of professional competence, and
- a strong sense of honesty and integrity.

The areas stressed for improvement were summarised:

- accelerate the pace of leadership throughout the organisation, in particular pushing the vision with passion, drive and pace
- transform an information-rich, intelligence-poor department through better management information and evidence-based decision making
- establish clear, simple lines of personal accountability and roles; and
- re-ignite staff motivation and the credibility of, and confidence in, the senior leadership to lead successful transformation of the department.

In his 2008 Annual Report, Hartnett listed the changes that were being made as a result of the Capability Review. He said:

‘We recognised that, while our organisational structure helped us to create HMRC following the merger, staff, stakeholders and customers found it confusing. So, in January 2008, we changed our structure to sharpen accountabilities and provide a greater customer focus.’

The new structure had four operational groups (Personal Tax, Benefits and Credits, Business Tax and Enforcement) supported by Corporate Services and a Change and Performance group. See Figure 3.

Hartnett also announced a new governance structure (splitting the role of Chief Executive and Chair) and new appointments to the board, including four external advisers to join non-executive directors and executives on a newly formed Executive and Advisers Committee. Other actions



## Case study 1 (continued)

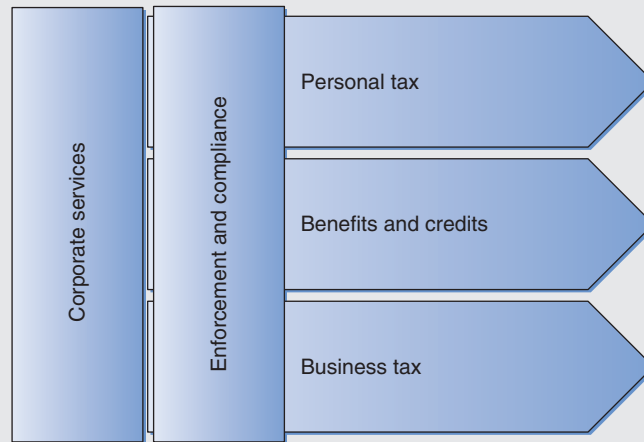


Figure 3 Operating module

he undertook included a series of 'town hall' events and a 'back to the floor' programme for senior managers to meet and engage with front-line staff. More discussions were underway Trade Unions designed to increase certainty about both staff cuts and staff retention. Gaps in the leadership capability of management were being identified and filled with: personal development programmes, recruitment and improved professional skills training. The business performance system was being refreshed and KPIs established to link strategic objectives to front line delivery. A Cabinet Office checkpoint

followed-up on the progress at HMRC in April 2008 when O'Donnell congratulated HMRC on the actions taken so far. He urged the Department to keep going and continue the work at good pace.

The FT posted a thoughtful piece on the merger of HMRC that summer, see Figure 4. The FT went on to cite some famous merger failures as examples of the difficulty of the task, notably Daimler-Benz and Chrysler Corp – a merger that fell apart after nine years – citing culture as a major reason for the difficulties often experienced with mergers.



Case study 1 (continued)

## A taxing merger

By Vanessa Houlder, *Financial Times*, 10 July 2008

The architects of the structure for the merged organisation were neither naïve or inexperienced. They were McKinsey, the consultancy firm, which was paid £5.5m for its advice on the new organisational model, management processes and governance structure. The chairman of HMRC at the time was Sir David Varney . . .

So did HMRC really get it wrong? . . .

. . . At the time of the merger, however, HMRC's top managers faced a traditional management problem of finding a way to integrate two entities without forcing one partner to mould itself to the other. They had two big organisations with different cultures: Inland Revenue that was pragmatic and intellectual; Customs & Excise were more confrontational. Costs had to be cut 5 per cent a year, with the consent of the unions and without alienating staff.

. . . Around the time HMRC was formed, Sir David explained that senior managers' responsibilities would not correspond with the former structure of the two legacy organisations, so enabling a new culture to develop. 'We didn't want an organisation that was split along lines of customers, operations or policies or infrastructure' he said.

. . . HMRC has moved to a simpler structure that makes responsibilities clear. But in the long run, creating a common culture may prove a hard task.



Source: Holder, V., A taxing merger, *Financial Times*, 10 July 2008. © The Financial Times Limited 2008. All rights reserved. Pearson Education Ltd is responsible for providing this adaptation of the original article.

Figure 4 A taxing merger

### Work assignments

- 1 Using the kaleidoscope framework analyse the organisational context facing Varney and Gray in September 2004. What were some of the enabling features within the change context and what features were barriers to the achievement of change? Which of those were most critical and why?
- 2 What were the design choices put in place to deliver the merger as at 2004? Consider the design choices at the senior level and the rest of the organisation.
- 3 Using the kaleidoscope, consider how the change context had changed by 2006. What were some of the enabling features of the change context? Is the change context more positive or receptive to change? Why or why not?
- 4 Considering the impact of actions to date, what recommendations would you have made in 2006?
- 5 Is the change context more positive or receptive to change at the end of the case? Why or why not?
- 6 HMRC still has areas for improvement as identified by the Capability Review. If you were advising the Chairman on the change programme what would you recommend for them to do next to drive the change forwards? What do you consider to be the critical issues they should focus on in the next stage of change?

## Designing the transition: the implementation path

### 5.1 Introduction

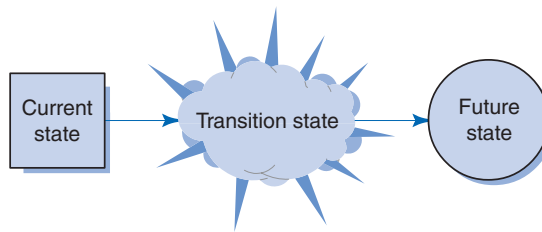
Chapter 1 introduced the notion of three change states – the *current* (where the organisation is now), the *future* (where the organisation wants to be) and the *transition* (how to get to the future state,<sup>1</sup> see Figure 5.1). It was explained that this book assumes that readers already have an understanding of how to diagnose the current organisational state, and how to develop an outline of the desired future state from text books on formulating strategy. Thus the main concern in this text is the transition state, the process of actually making the desired changes happen. This state requires specific attention in terms of both its design and management. So far, Chapters 2–4 have discussed the initial planning and design for the transition state through the introduction of the kaleidoscope as a way of designing a context-sensitive approach to change implementation. Chapters 2 and 3 introduced the range of design choices open to organisations implementing change. Chapter 4 discussed how to assess the key contextual features of the change situation, and how to use these factors to judge which combination of design choices to put together to build a context-sensitive change approach to change.

In Chapters 5–7 we now turn our attention to how to design the more detailed steps required to put the desired change approach in place and, once change gets underway, how to lead and manage the implementation. This chapter explores the design issues and the associated implementation challenges. This chapter focuses on the following.

- The concept of a change *vision* is introduced, and it is explained how this aspect of the future state needs to be considered before moving on to design the transition.
- The need to diagnose barriers to change that may be encountered during the transition is discussed. Barriers arise primarily from organisational culture and the political actions of stakeholders.
- The notion of the transition state is expanded to explain how it encompasses three change phases – mobilise, move and sustain.
- The concept of the transition curve is explained to illustrate how the organisational transition process of mobilise, move and sustain is underpinned by the personal transitions of individuals within an organisation.

**To achieve change it is necessary to:**

- 1 Assess the current organisational situation.
- 2 Define the desired future organisational state.
- 3 Determine how to get there.



**Figure 5.1** Three change states

- Creating mobilisation, or developing readiness for change, is discussed along with a series of techniques for achieving mobilisation.
- Consideration is given to how to design a series of change interventions, and how to sequence their deployment, to achieve the chosen change approach and move the organisation through the transition from mobilisation to ultimately sustaining the changes.

Chapters 6 and 7 then focus on the enabling conditions that can facilitate transition. This includes aspects of leadership such as the need for change leaders through a more relational leadership style to build relationships with middle managers and HR that support implementation and help to build a receptive climate for change.

## 5.2 The future state – developing a vision

Since the 1980s, there has been an increasing emphasis on the need for a powerful change ‘vision’, or picture of the future, if change is to be successful. Transformational change in particular usually consists of a number of projects and initiatives. Without a unifying vision, these initiatives can appear to be unrelated, confusing and piecemeal. Employees can struggle to understand what they are trying to achieve and what the future organisation looks like. A vision gives change recipients a target to aim for, and the incentive and energy for change. It should also generate commitment to change.

A vision is usually a qualitative expression of the desired future state. There are various descriptions of what constitutes a good vision, but generally three aspects are mentioned. A vision encapsulates: what the organisation is trying to achieve; a rationale for the changes to be undertaken; and a picture of what the future organisation will ‘look like’, which incorporates something about the values of the new organisation and what is expected of employees. A good vision should also be exciting and challenging. In addition, visions need to appeal to the majority of an organisation’s stakeholders, and comprise realistic and attainable goals.<sup>2</sup> Although not a lot of new material has been written on visions and vision statements recently, and the above list shows that developing a vision that ticks

all these boxes is a tall order, the need for a compelling and clear vision is still considered an essential part of change.

### 5.2.1 Vision statements

For many organisations, since a vision is about explaining to people where the organisation is going, having a vision means having a vision statement. The popularity of vision statements stems from some famous examples that are cited as central to the successes achieved by the organisations that used them. Komatsu, the Japanese earth-moving equipment manufacturer, is famous for the intent to ‘Encircle Caterpillar’. Caterpillar was the industry leader in Komatsu’s sector at the time. Similarly, Honda wanted to become a second Ford, a pioneer in the automotive industry, although Ford’s more recent problems might make that metaphor seem odd now. These statements show that using examples, metaphors or analogies can help to succinctly express to employees what is required without using jargon.

On the other hand, these vision statements were developed with a long time horizon in mind. It is more common to develop a vision statement addressed more specifically to a particular change initiative. So, for example, the Royal Mail Group in the UK has recently been privatised. As part of modernising and readying the company for sale from public ownership, a clear vision, ‘to be recognised as the best delivery company in the UK and across Europe’, was developed for the company.<sup>3</sup> Royal Mail Group contains within it Parcelforce Worldwide, one of the top five express carrier businesses in the UK. The vision of Parcelforce is ‘To be the UK’s most trusted worldwide express carrier’.<sup>4</sup> The Arts Council England has a 10-year vision statement ‘Great Art for Everyone’, rewritten to ‘Great Art and Culture for Everyone’ in 2013 when the Arts Council also took over responsibility for museums and libraries.

Giving employees a vision is a critical part of the change process. How can people change if they don’t understand what they have got to change to? Yet many people are cynical about vision statements, despite their popularity. Vision statements can be woolly and generic. Employees often feel that they are a PR exercise rather than a genuine attempt to communicate the goals of change. In addition, words are open to differing interpretations. To return to the Royal Mail visions above – what do words like ‘best’ and other words commonly used like ‘customer-focused’ mean? What matters is that there is a common understanding of what the vision is about throughout an organisation, rather than the words used.

Thus the process used to develop a vision can be as important as the vision itself. A more participative process in which employees are involved, and in which two-way dialogue and discussion is used to foster a shared understanding of what the vision is about, may lead to a vision which is more widely shared and understood. The words of the agreed vision statement may be no less woolly, but there should be more clarity about the expectations of employees and the changes the company is embarking on. This was the approach taken by Unico. The vision statement included words that not all staff could relate to and thus were changed to terms more universally understood as a result of workshops with staff, see Illustration 5.1. As discussed in Chapter 3, technology, such as an IBM ‘Jam’, which involves employees participating in a guided online discussion of a particular topic, is now often used to get wider participation.

## ILLUSTRATION 5.1

### Creating a vision and mission statement for Unico

Unico is a small to medium-sized British university which is both nationally and internationally well recognised. With the arrival of a new Vice-Chancellor (VC) in November 2008, a strategy review was kicked-off with the aim to nearly double Unico's revenue within the next five years. Unico faced increasing competition for students, its highest stream of revenues, and an increasingly challenging funding environment to support its research activities. To address these challenges, the strategic change initiative focused particularly on the development of a new Vision and Mission aimed at increasing its income from student recruitment and commercial activities. Although research and teaching are the core business of any university, the Mission on 'Community Engagement' provided a new objective to increase Unico's revenue.

To make statements for Teaching, Research and Community Engagement meaningful across the university, the strategy review consisted of a university-wide consultation process which included strategy workshops with both academic and administrative staff across all subject areas and functions. At strategy workshops, staff were provided with a copy of the latest draft of Unico's Vision and Mission statements and were asked to debate them in break-out groups. Staff were invited to comment on the statements to establish what Unico wanted to be and what it should or should not do.

The development of the Teaching Mission was relatively straightforward. The input of staff at these

workshops enabled the Teaching Mission to culminate in statements around new modes and methods for delivering quality teaching and an excellent student learning experience, geared up to attract students who are digital natives.

Discussions around the Research Mission and the new Community Engagement Mission proved more challenging. The Research Mission focus on 'Translational Research' faced strong resistance from established academics who considered such research as 'second hand', 'taking it from the bench to the bedside'. It also threatened their identity which revolved around the freedom to engage in blue-skies research, which might not lead to any commercial outcome. The outburst of established and long-standing academics within Unico led the VC to revise the wording of the Research Mission to 'Rigorous and Relevant Research' which covered the interests of both those engaged in more blue-skies research as well as those who were keen to develop commercial outputs from their research.

The discussion on the Community Engagement Mission was driven by confusion rather than resistance, as staff struggled to understand 'What do we mean by community, and how do we engage with them?' Many of these struggles were not resolved and there remained less clarity around this part of the vision and mission.

*Source:* prepared by Paul Spee, University of Queensland from original research.

## 5.2.2 Alternative visions

A vision should be expressed in such a way that it can be communicated effectively to employees and in a way that is memorable. Employees will find it difficult to remember overly long and complex messages. Few individuals are able to remember even a page of detail, so a memorable vision statement is likely to be short and to the point. Furthermore, employees need to understand how they can help make the vision happen – they need to be able to link what they do on an everyday basis to the achievement of the vision.<sup>5</sup> Vision statements are, therefore, only one way of expressing the change goals and aspirations of an organisation. There are many other and potentially more effective means of representing a vision.

Recent research has shown the utility of physical objects, such as drawings, objects, and prototypes, and the use of metaphors, in supporting the conversations individuals engage in as they attempt to envisage their future organisation. These physical representations help individuals both to build a picture of the future organisation and to bring transformations to life. Once these pictures and models have been constructed, the vision can be shared with others by senior executives through conversations based around the elements of the future in them, such as what the future organisation will look like and how this future was generated. These techniques can be used by senior executives and then shared or, if the change design choices include more collaboration, then they can be used more widely in an organisation. One such technique is the ‘strategy canvas’, where a one-page picture showing both the current and future states is developed and used to share the vision with an organisation’s employees.<sup>6</sup> Another approach is to use ‘rich pictures’. A rich picture is a representation of an organisation on a single (large) sheet of paper, co-drawn by a group of individuals, which enables those involved in its construction to share ideas, link themes and make connections with the goal of developing a shared understanding of a complex issue. Rich pictures typically incorporate pictures, symbols, sketches, cartoons, lines, arrows, boxes, phrases and text that ‘represent a particular situation or issue from the viewpoint(s) of the person or people who drew them’, showing relationships and connections as well as more subjective elements such as points of view.<sup>7</sup> These are effective for similar reasons to models. The visual nature facilitates discussion and when used to achieve broad participation, they lead to wider ownership of the strategy and enable the involvement of, for example, the critical middle managers. Individuals engaged in drawing or modelling can also recall more easily the discussion, and remember the key messages for a longer period of time.

Other organisations use model building with equipment such as Lego bricks to develop visions of the future.<sup>8</sup> The introduction of ‘serious play’ through the construction of models into strategy workshops opens up debate and injects greater interaction and discussion into what are often rather staid and dry events. The models form ‘embodied metaphors’, physical representations of what an organisation is and should be to compete successfully; see Illustration 5.2 which describes such a process at UNICEF Germany. Once constructed the models can be used, as at UNICEF Germany, to facilitate discussion and develop shared perspectives on issues.

### ILLUSTRATION 5.2

#### **‘We are the smart lever for people to help children in need’ – Developing a joint vision as a basis of UNICEF Germany’s strategy development in 2011**

‘While a lot of our stakeholders believe in our strengths, they somewhat doubt that **we** actually know what we stand for as an organisation’, said Christian Schneider, the recently appointed Managing Director of the German Committee of UNICEF. He added, ‘we will succeed in developing an effective strategy only if we know who we are and what we stand for.’

In May 2011, Christian gathered together his top management team for a two-day strategy retreat with the goal of setting the strategic priorities for 2013–2017. Whereas the second day was to consist of identifying and defining these priorities, the first day was dedicated to developing a vision of the organisation’s aspired identity. This shared understanding was to serve as an enabler to detect and prioritise

## Illustration 5.2 (continued)

strategic options in the organisation's landscape. The strategy retreat was driven by a simple yet challenging question: 'How will we address our critical stakeholders' needs in a way consistent with our aspired identity of the organisation?'

To develop a joint vision of the organisation's aspired identity, the team engaged in a facilitated process of developing multi-modal metaphors using construction toy materials.<sup>9</sup> The brief for the construction process read: 'What will UNICEF Germany stand for in five years? The corresponding process consisted of three steps. First, each of the six team members constructed an individual model representing his or her conceptualisation of the future UNICEF Germany. These six different representations and views of the future were debriefed in the team. Next, the team engaged in building one single, joint model through negotiating to integrate, reject or amend aspects of the individual models. Lastly, the model was systematically debriefed not only to check for the level of agreement but also to distil what the team considered the core attributes of the aspired organisational identity.

The final model consisted of three core elements. At the top end of the table were people figures and bricks in different colours to represent the different contributors (mainly donors, volunteers, corporate partners) in Germany as well as their different intentions and motivations. At the opposite end of

the table were a great number of people figures of different size, shapes and colours to represent the children in UNICEF's project countries: the organisation's ultimate beneficiaries. The organisation was then located within these two main constituencies as a yellow platform (a lever) on two blue bricks (hinge) with turning antennas and windows (responsiveness) and a smiling tiger on top (power and motivation). Thus, the grand metaphor for UNICEF Germany's aspired organisational identity consisted of a lever that amplifies an input force (the organisation's contributors) to provide a greater output force (the children as the organisation's beneficiaries). As one participant put it: 'We will effectively use our contributors' resources to maximize impact for the children. We are the smart lever for people who wish to help the children in need!'

Working with the model, the team then distilled several core attributes of the organisation's aspired identity, namely securing children's survival and opportunities; acting as advocate for children; becoming a movement for children and working effectively, efficiently, trustworthily and credibly as an organisation. These five core attributes derived through the model as well as the model itself remained physically present in the room and served as a pivotal point of reference for the subsequent, more analytical strategy development process throughout the retreat.

This jointly developed vision for UNICEF Germany's organisational identity facilitated the identification and definition of three strategic priorities that subsequently were then further specified and operationalized in corresponding strategic initiatives: enhancing stakeholders' experience of UNICEF's impact; supplementing UNICEF's rational image with more emotionally appealing accounts and providing more tailored offers to contribute to UNICEF's work. As the annual report 2013 indicates, this strategy seems to already yield results.

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One of the advantages of such techniques, both for those that develop them and as a communication mechanism, is that they encourage participation, dialogue and two-way communication from participants, and therefore a more shared understanding of what the vision is about. The construction of models and drawings also helps to surface the way individuals think about an organisation, its competitors and its customers, often revealing dimensions of organisations and strategy that are so taken for granted they are typically not discussed. In addition, change is an emotionally laden process (see Section 5.5 below, Facilitating personal transitions). Drawings and models as visual metaphors constructed in workshops can help to bring different emotional responses into the open so that they can be discussed. For example, in one organisation a team's feelings about change were captured in a visual metaphor of a 'dark tower', which revealed strong, negative emotions regarding the change. When emotions are surfaced, acknowledged and treated with respect, people became more engaged with the change.<sup>10</sup> Finally, pictures, models and stories are more easily recallable and more memorable, enabling individuals to remember more of a message for a longer period of time, and through seeing everything on 'one page' so to speak, to understand connections between different parts of the change message.

### 5.2.3 Aligning actions and words: using the web to help formulate a vision

Yet visions can also be communicated more powerfully through behaviours as well as words. In other words, visions can be communicated through the things that senior managers and influential individuals in an organisation do and focus attention on. This is sometimes referred to as symbolic action (see Section 5.7.3 below). However, broadly speaking, senior executives can focus attention on what is considered valuable and appropriate in an organisation through what they reward, either formally or informally by something as simple as a thank you or a certificate or an award, through individuals they tell stories about or praise in public and hold up as role model, or through where they focus their attention, such as on customer service as opposed to cost saving. Furthermore, if actions and words are not aligned, vision statements, like values statements, are quickly discredited.<sup>11</sup> It is therefore important to understand, as part of the vision process, what new behaviours are required from managers to support the vision, and also what old behaviours, events and actions need to be discarded if employees are not to receive conflicting messages about what is now acceptable behaviour. For this reason, in some companies senior managers are shadowed by consultants or coaches to ensure they are engaging in agreed behaviours supportive of the vision, rather than old, contradictory behaviours. Other companies use 360-degree appraisal to identify whether or not senior executives are 'walking the talk'.

A picture of the future organisation and the types of interventions required to deliver it can be developed by drawing a new cultural web. This book has already discussed the use of this technique in Chapters 2 and 3. It has been shown that this framework can provide a useful way of building a picture of the future organisation, since the web incorporates not just new structures but also what new symbols, routines and control systems are needed.<sup>12</sup> As a reminder, Illustrations 2.1 and 2.2 in Chapter 2, show completed current and future webs for a large international bank. Illustration 3.9 in Chapter 3 shows completed present and future webs for the transformation of EveryChild to 'Family for Every Child'.

As explained in Chapters 2 and 3, the web helps to develop an understanding of the scope of change through the current and future paradigms, and the range of change levers



and mechanisms required to deliver the change. By drawing these webs, and sharing them, it is possible to use them to help build an appreciation in others as to what the future 'looks like'. It is possible to move beyond rhetoric and generalisations about change to specifics. As part of this, consideration must be given to change levers to do with formal and informal organisation structures and power structures, information systems, management systems, measurement systems and HR systems. Systems extend from the way plans and budgets are developed to how quickly phones are answered. Aligning day-to-day activities to get required behaviours is also about understanding which routines and symbols to change or to remove, and which new symbols and routines to put into place.

Obviously, not all levers and interventions identified in the future web as required to support the vision statement can be put in place on day one of the change process. This is why this chapter is devoted to a consideration of how to phase the different change levers and interventions through the transition state. Furthermore, the cultural web cannot be used to capture all levers and mechanisms by any means. Interventions to do with communication, education, training and personal development in the interpersonal subsystem discussed in Chapters 2–4 have to be considered separately. Again, these are discussed in more detail below.

### 5.3 Identifying barriers to change

Once the future state for the organisation is understood, it is possible to diagnose the barriers to change. Most barriers to change arise from the old *organisational culture* and *organisational stakeholders*. Barriers to change need to be explicitly identified and removed.

Any *vision* developed of the future will encapsulate new structures, systems, and ways of behaving that have to be put in place, but without consideration of existing barriers it is possible, almost by default, to leave old systems and ways of behaving in place, and these can subsequently prove obstructive. Old routines provide a particular barrier to change since they are so engrained in the way an organisation operates and because many of them are to do with the informal and unwritten way of operating. In addition, senior managers in particular may be reluctant to let go of them. The description of the culture at Fiat when Sergio Marchionne was first appointed as CEO with responsibility for transforming the car maker, illustrates a number of 'routine' ways of behaving, all of which needed to change if the financial and organisational reconstruction put in place as the start-point for the transformation by Marchionne, was to lead to a more agile, brand-focused company. All major decisions were made by the CEO from Turin. Senior managers were not used to taking responsibility. Poorly performing executives were sent to work in more remote places rather than being sacked, and heavy central control from the HQ in Turin limited local initiative. There was a traditional, vertical command and control structure. Executives booked meetings to talk to each other via secretaries rather than walking to a fellow manager's office close by. The company was dominated by engineers with little focus on markets, brands and competition, leading to an inward looking company. Manufacturing was wasteful, with messy factories and people working around problems rather than benchmarking best practice. The company did not treat people working in these factories well. Facilities were poor.<sup>13</sup>

This example illustrates why *organisation cultures* provide some of the strongest barriers to the implementation of change. If these cultural barriers to change are not identified from a technique such as cultural web analysis, and acted on, the way the organisation and its members operate may continue to be driven by the existing culture, rather than by the desired new ways of behaving. This will lead to a realised strategy for an organisation that is consistent with the old ways of doing things, and does not deliver the new intended strategy. As we discuss in Chapters 2–4, if a reconstruction is not followed by deeper change to the ways individuals in the organisation work, it will not lead to the desired transformation. In the example of the company referred to as ‘International Bank’ in Illustrations 2.1 and 2.2, Chapter 2, the existing organisation, based around regional silos run by regional CEOs separate from central CEOs, and emphasising local individuality and diversity, proliferated the old culture and presented several barriers to the desired future of a global and internationally integrated bank. These barriers included the notion of the bank as a heterogeneous operation, run through locally autonomous organisations with locally tailored practices, and which celebrated and valued their differences. The barriers extended to stories which celebrated diversity, and symbols which emphasised the local, even in terms of the logo. More specifically, the identified barriers, including old routine behaviours, needed to be removed.

*Powerful stakeholders*, such as the regional CEOs in ‘International Bank’, provide significant barriers to change. As we have discussed in Chapter 4, the way such stakeholders are likely to react to the proposed changes and the implications for the power of the individual(s) leading change, should have already been built into the design choices from the consideration of power as one of the contextual features. Illustration 4.8 in Chapter 4 describes the case of the Co-operative and how the internal governance structures which were built around mutual consensus and democratic decision making, as well as the resistance of particularly powerful groups in the organisation to proposed changes, created strong barriers for its former CEO. However, it is also important to understand the way different stakeholders will respond to change as implementation progresses, and then consider how this is to be managed.

### 5.4 Designing the transition state: the organisational level

Once the design of the future state has been completed, and it is known what barriers to change have to be overcome, it is then necessary to design an implementation path to deliver the future state. This involves thinking about which change levers to deploy and in what order. Of course, many levers and interventions will already have been identified. The future cultural web will contain details of new structures, systems, routines and symbols needed. The consideration of barriers to change should have led to some decisions about old structures, systems and ways of behaving that need to be dismantled or discouraged, and the mechanisms that can be deployed to achieve this and facilitate change.

To provide more shape to the way the identified levers and interventions should be sequenced, and what additional interventions may be needed, it is helpful to subdivide the transition state itself into three other phases – mobilise, move and sustain (see Figure 5.2).

This model is based on the one devised by Lewin.<sup>14</sup> The original model referred to ‘unfreezing, moving and refreezing’.

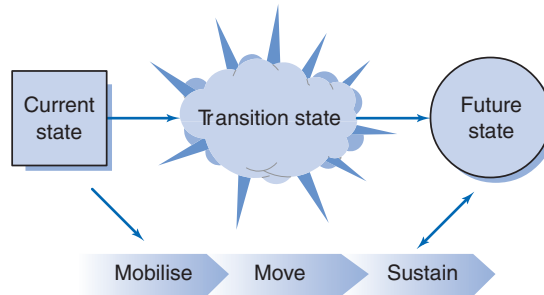


Figure 5.2 Three phases of transition

- *Unfreezing* is about making people within an organisation ready for change, by raising awareness of the need for change to create dissatisfaction with the existing ways of working. It is about creating the *readiness for change* among the workforce at all levels, from senior managers downwards, discussed as part of the change kaleidoscope in Chapter 4. Change is a painful, difficult experience for both organisations and the individuals within them. To undertake change people need to feel that the problems and the pain change will cause are outweighed by the need to change.
- *Moving* is the implementation of the needed changes through the selected range of levers and mechanisms.
- *Refreezing* involves embedding the changes throughout the organisation to ensure members do not relapse into patterns of old behaviour.

There are many criticisms of the Lewin model. One is that it is too linear and simplistic. Particularly in large corporations, there are likely to be multiple processes of unfreeze, move and refreeze as different business units and different groups of staff move through the change process in different ways. Large organisations, such as GKN or Unilever discussed in Illustrations 4.1 and 4.2 in Chapter 4, are also diverse, requiring different actions to unfreeze, move and refreeze in different parts. Furthermore, actions taken to unfreeze employees might not have the intended effects. Senior managers cannot impose their viewpoint on others.

Although such criticisms are true, the principle of *unfreezing* is still widely acknowledged as an important part of any change.<sup>15</sup> Managers introduced to this model will often comment that on reflection, they can see that the change process within their organisation stumbled along rather than acquiring momentum, because the staff within the organisation were never ‘unfrozen’ and made ready for change. Similarly, the concept of refreezing is still recognised as having some merit, as it seems that without efforts to indicate that change is over, change drift can set in. A common comment from managers is that the change processes within their organisations have been left unfinished, since no real attempt has been made to institutionalise the required behavioural and attitudinal changes throughout the organisation. The result is a continual backsliding of staff into old ways of behaving and a confusion over where the change process has got to. As such, the concepts of unfreezing and refreezing are still important.

On the other hand, it is also often commented that unfreezing and refreezing are inappropriate terms to use in modern organisations. Many organisations move from a

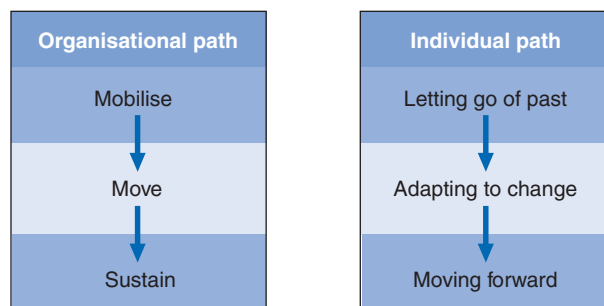
period of on-going adaptation to a radical change, and then back into adaptation through continuous improvement. This is why it is becoming more common for the unfreeze phase to be referred to as ‘mobilisation’ and the refreeze phase to be referred to as ‘sustain’ or ‘institutionalise’. This is also why in this book we use the terminology of ‘mobilise’ and ‘sustain’ rather than the terms ‘unfreeze’ and ‘refreeze’. Mobilisation is about mobilising people behind the latest change initiative. The term conveys better the sense of redirecting energies and efforts into a new project. Similarly, the term ‘sustain’ better embodies the need to instil the new behaviours and attitudes throughout the organisation and signal the end to major change, while avoiding the implication that there will be no more change.

## 5.5 Facilitating personal transitions: the individual level

Organisations only change if the individuals within that organisation change. To an external customer, the behaviour of the people that the customer encounters summarises what the organisation stands for. If an organisation wants to change the way its customers see it, it has to change the behaviour of its people. Strategic change has to be driven down throughout the organisation. Yet as Chapter 1 explains, all too often, change management is viewed as something that is ‘done’ to people. Employees of the organisation are treated as passive on-lookers who will comply with the directives and objectives issued from the top.

Therefore, to achieve change, a change agent needs to understand how individuals change, and build this into the mobilise, move and sustain model. Change leaders need to recognise that they have two parallel sets of tasks: (1) leading the organisation through change, and (2) leading the individual organisational members through that change (see Figure 5.3). This is why change capability, as discussed in Chapter 4, is so important – part of change capability is having the ability to lead staff through change. The importance of this capability is reflected in the fact that it is a theme we pick up again in Chapters 6 and 7. Central to this is understanding the process of individual transition.

Individual transitions can be likened to the bereavement and mourning process. It is a psychological process that research shows all individuals go through. Individuals will



**Figure 5.3** Dual leadership responsibilities – managing the organisational and individual change paths

experience feelings of loss, and will have to work through those feelings of loss and come to terms with life afterwards.<sup>16</sup> This takes time, although varying degrees of time for different individuals. This text uses the concept of the *transition curve* to explain how individuals pass through change.

### 5.5.1 The transition curve

The transition curve<sup>17</sup> describes the process individuals go through during change, and is depicted in Figure 5.4. It captures the emotional nature of individual transitions. The transition curve suggests individuals undergoing change pass through seven stages.

- In *stage 1*, individuals initially experience *shock* when they encounter the need for change and a dip in their self-confidence, due to the need for them to undertake personal change and to do things differently.
- *Stage 2, denial*, is a stage when individuals may try to rationalise the changes as not really involving a significant change for themselves. Individuals may try to tell themselves that working in a new role will involve nothing different from their current role. As a result their self-confidence goes back up again, but this denial can also prevent them from moving forwards. Trying to fulfil a new job in the same way as they did their old one may mean they do not perform well.
- To move on to *stage 3, awareness*, individuals need to develop a recognition of the need for personal change. However, acquiring this awareness, which may be prompted by discussion with others or a recognition that the old ways of doing things are no longer working, also brings with it a *drop in confidence* as individuals become aware of their inadequacy to fulfil their new role.
- Individuals will be able to move forward to *stage 4, acceptance*, when they can accept the need to let go of the past – to let go of old attitudes and behaviours and adopt new ones.

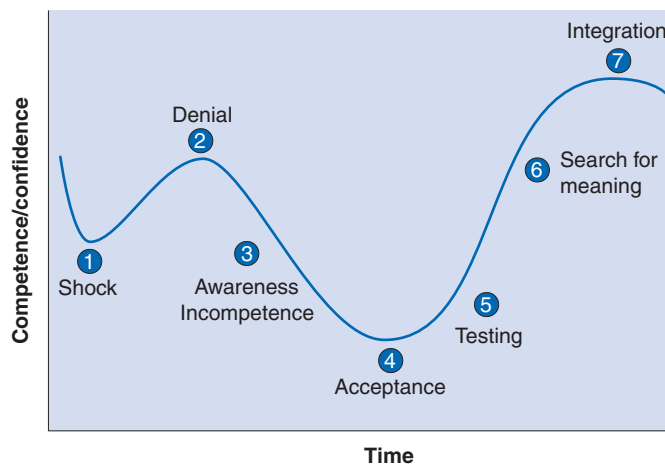


Figure 5.4 The transition curve

Source: based on Adams, J., Hayes, J. and Hopson, C. (1976) *Transition: Understanding and Managing Personal Change*, London: Martin Robertson & Company.

- *Stage 5, testing*, is to do with identifying and testing out new behaviours, maybe as a result of training. As new behaviours start to enable individuals to perform more adequately in their new role, confidence starts to build again.
- By *stage 6, search*, the individual is assimilating learning from their successes and failures, and starting to understand why some behaviours work and others do not.
- *Stage 7, integration*, is marked by an integration of new behaviours into the everyday way of working by individuals. There ceases to be a gap between an individual's perceived ability to perform and the expectations placed on that individual.

The headings 'Shock' and 'Denial' for the first two phases capture how hard it can be for an individual to let go of the past and come to terms with the need for change. The y axis of the curve depicts the levels of competence and confidence individuals experience at different phases and pictorially illustrates how confidence levels dip and then recover as individuals start to discover new ways of working that deliver success. Individuals can pass through the transition curve at different rates and in different ways. The curve depicts a typical pattern or response rather than a prescriptive route that all individuals adhere to.

**5.6 Linking individual and organisational transitions**

The concept of the transition curve can be combined with the mobilise, move and sustain model, as shown in Figure 5.5, to help remind designers of change what interventions in these phases are trying to achieve for the individual recipients.

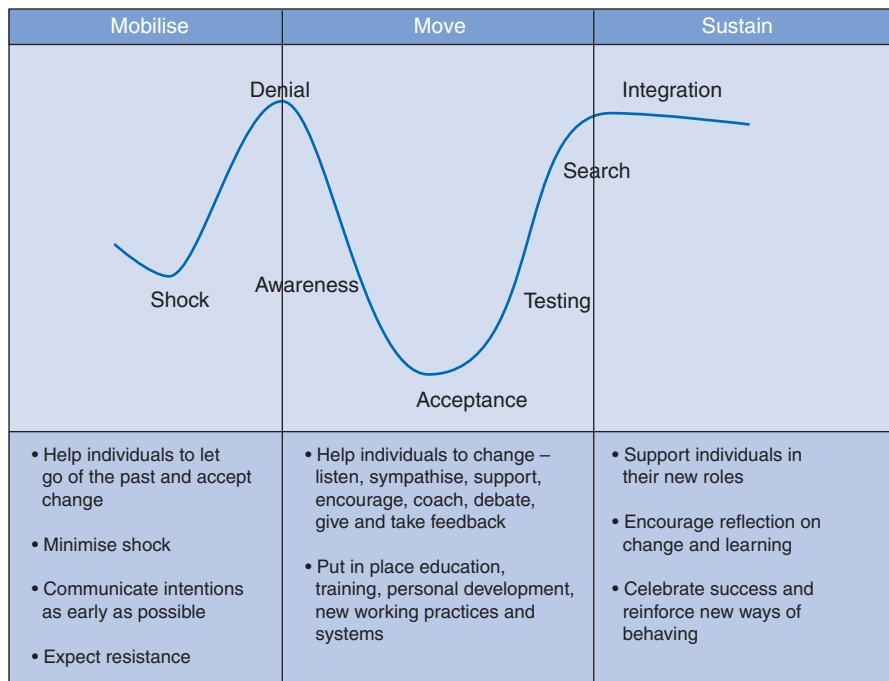


Figure 5.5 Linking organisational and individual change

- The stages of *shock* and *denial*, moving into *awareness*, accompanied by feelings of loss, fits with *mobilisation*. Interventions aimed at helping individuals to come to terms with the need for change and to let go of the past should, therefore, be built into the mobilisation phase through the types of mobilisation tactics discussed below. The mobilisation tactic(s) adopted do need to match the context and the selected design choices.
- The experience of individuals as they move through *awareness* to *acceptance*, *testing* and *search* will underpin the *move* phase. Thus interventions such as education and training, personal development, new work procedures and systems, and new management styles which help individuals through these stages should all be included in the move phase. Coaching and counselling, from either internal or external facilitators, for staff who are having problems adapting may also be necessary here. Again, the range of *levers* deployed in the *move* phase will need to fit the design choices selected. In circumstances where there is little *time* or *money*, it may prove difficult to provide support via counselling or coaching to staff members who are struggling. There may have to be a trade-off between what is ideal and what is possible. If the required change is *transformational* in nature, it will be necessary to drive in value change and not just behavioural change. The levers will need to reflect this, with a greater emphasis on personal development, communication, counselling and coaching rather than just skills-based training.
- The *sustain* phase is about helping the *integration* process. Interventions that can be particularly helpful in this phase when the *change target* is *behaviours* or *values* include reward mechanisms to reinforce and support behavioural change undertaken by staff. Symbolic interventions can also be helpful here to reinforce change.

The transition process is painful and emotional for both the managed and those doing the managing. Illustration 5.3 shows the emotional rollercoaster experienced by individuals going through change. These quotes are taken from individuals undergoing a merger between two business divisions, but a merger in which one division is more or less taken over by the other. The sense of loss is clear in the mobilisation phase with individuals talking about a loss of familiar faces, a loss of old ways of working and a loss of old offices and what they represented. In the move phase the quotations show the sense of uncertainty about how new things will work, the frustration of being criticised when things do not run smoothly, the feelings of being out of control and needing to steady the ship, and of experimenting and muddling through. Whereas by the sustain phase individuals start to reflect on success and understand what the new world looks like.

### ILLUSTRATION 5.3

#### Managing change: an emotional roller coaster

##### *Mobilisation: letting go of the past*

- And it feels quite horrible that they're (senior team) all sort of tucked away and that we, we don't see [Mike] anymore because when we used to go in the office, [Susan's] in the office on the second floor, [Susan's] office was there and so was [Mike's] and you could walk past him and just chat to him and there's none of that anymore.

**Illustration 5.3 (continued)**

- Yes, I think two years ago which now seem like golden times . . . Yes it was more informal in a sense but also there was space for proposition and ideas.
- I always felt the [old] office, I had that sense of belonging . . . It was a space that I felt was my . . . not so much my space but it was, that was our little atelier, that was ours and . . . if we did have a project . . . now we haven't got that ability to say, you know, 'Come. Sit here . . .'

**Move: adapting to change**

- Given it was new to students as well, we weren't sure exactly how things were working. You know, it was a little bit rocky I think the first few weeks certainly. We all felt really unsettled.
- Because people will get frustrated with you that you haven't been doing this or were unaware of what is going on and you think 'hold on. . .'
- But for me I like to know where I'm at and what I'm doing . . . To feel competent and to feel in control and I'm not feeling like that and I'm having to continually re write, you know . . . I feel like you know it's just like calm it down, let's just look at it, let's just make sure that we've got furniture in the rooms, let's make sure that we've got the heating sorted out.
- I think yes, in the absence of a very, very clear kind of job description, I think we're all muddling through a little bit.

**Sustain: new beginnings and moving forward**

- The thing that I thought was absolutely amazing was when they got that website up with all the studios, that for me was like we're here. But given that it was kind of this big-bang change last year . . . In week one, kind of, [Alan] turned to me and said, 'That's one week, twenty-nine to go.' You know? And it was that idea that we've just got to get through this. If the thing doesn't completely collapse, I mean, we can kind of see that as a relative success. And I remember at the end of term this year, you know, recently, he kind of said, 'Well, well done.' We actually kind of managed to get through this without any major problems.

Source: prepared by Lisa Day from original research.

Both those being asked to undertake change and those managing the change need support during the transition process. Illustration 5.4 focuses on the way the process is experienced by a group of managers having to implement yet also personally experience a major restructuring of their business. It reveals how for managers in particular, the emotional nature of the process is amplified by identity issues. In the example here, the managers needed to be professional and detached and believe that the changes were the right thing to do to for the business to be able to take up their role in managing the process, which included making others redundant. Yet at the same time they had worked alongside the casualties, and could not remain emotionally detached and forget their concern for people. The illustration reveals the high level of emotional work required of such managers. We will return to this point in Chapter 6.

An exercise on the transition curve which asks people to consider a change process they have been through and what helped and hindered them at each stage of the personal transition (see Illustration 5.5) reveals that the interventions that most help individuals move through the curve are primarily interpersonal and symbolic. The interventions are to do with communication, coaching, training, support and encouraging appropriate new ways of working through symbolic means such as celebrating successes and achievements. This emphasises the importance of the interpersonal subsystem of



## ILLUSTRATION 5.4

### Managing through the change process

	Professionalism and detachment	Emotional engagement and concern for people
<b>Manager 1</b>	I don't mean to sound hardened to it . . . but my missus said 'if you don't get your head round it you won't be here' and I had to adopt the same attitude	It's an awful task and that's one of the things that does wake me up at night. If they (the business) carry on they will put them all in hospital . . . they do not understand, the business, what they do
<b>Manager 2</b>	It very quickly became clear I think to almost everybody that the main reason was there was no work as the result of September 11 You've got no baggage and you can do it in an unbiased, in a clinical way . . . just look at the logics of the situation and you apply it	Depression generally . . . because you know you've got to do things that are detrimental to people Dealing with people and their values were all to bits they thought it was just a matter of telling someone he's lost his job
<b>Manager 3</b>	So I took all the emotion out of it This for me represents my last chance to make this site a better place to work	It was a complete emotional rollercoaster He (another manager) gave his all, he gave more than I gave . . . but they put him through hoops, if it was a bloody animal you'd have put him down

Source: adapted from Clarke, C.A., Brown, A.D., Hope Hailey, V. (2009) 'Working identities? Antagonistic discursive resources and managerial identity', *Human Relations*, 62 (3), pp. 323–352.

change interventions discussed in Chapter 3 as one of the design choices, and reinforces the need to put interventions in place in all four subsystems (technical, political, cultural and interpersonal) for significant change to take root in an organisation. However, while it is therefore necessary to spend time considering how the design choices are put together with the knowledge of the current and future states, and an understanding of how individuals go through change, it is first necessary to consider the important phase of mobilisation.

## 5.7 Mobilising for change

Mobilising an organisation sounds simple enough in theory, but is far more difficult in practice because it is about making *individuals* ready for change. The use of logic and rational argument combined with exhortation is unlikely to be sufficient to convince individuals – who may stand to lose a lot by change, or who may have to undertake personal change themselves and invest considerable effort into the change process, or who even may not agree with the analysis – that there is a strong need to change.

Many change texts argue that there are two ways of mobilising for change; senior executives mobilise through selling a burning platform or a dream (the vision). Chapter 4 gives the example of Stadco, an automotive supplier. The death of an employee provided an

## ILLUSTRATION 5.5

**An exercise on the transition curve****Helps through shock and denial**

Finding a coach/mentor to off-load feelings on  
 Knowing from discussions with others you are not alone  
 Identifying positives and negatives  
 Having friends/trusted people: emotional support  
 Communications enabling mental preparation – what is to happen, what it will be like  
 Getting information in advance, and involvement  
 Understanding the transition process

**Helps through awareness phase**

Letting go of the past  
 Identifying new goals  
 Receiving information: options, facts versus rumour and speculation  
 Understanding alternatives – receiving options, information  
 Putting things in perspective  
 Addressing real fears (new tools, for example)  
 Allowing expression:  
   OK to be angry/sad  
   Empathy with feelings  
   Listening  
   Conflict not suppressed  
 Anticipating falling output and standards

**Helps through acceptance/testing phase**

Finding support for yourself  
 Those who are negative leave  
 Maintaining focus; first steps; short-term goals  
 Learning encouraged: new behaviours rewarded (informally), coaching, mistakes allowed, risk taking encouraged  
 Training  
 Reinforcing success/celebrating it  
 Forging new identity/relationships: social activities, peer support groups  
 Leadership

**Helps through search for meaning/integration phase**

Rewarding/celebrating success  
 Continuing to emphasise plans/goals  
 Providing long-term goals – Work starts here  
 Role models who live the vision  
 Giving feedback and encouraging reflection/learning  
 On-going team/network building  
 Providing on-going development opportunities

**Hinders**

Disinformation  
 Lack of information  
 Isolation  
 Only seeing the negatives  
 Guilt – others worse off

**Hinders**

Opinions not allowed  
 Uncertainty  
 Lack of forums for expression  
 Blame  
 Negativity

**Hinders**

Blame  
 Punishing failure  
 Jealousy  
 Resistance  
 Keep celebrating the past  
 Negative attitudes from others

**Hinders**

Moving on to next change initiative and forgetting current  
 No new goals/targets



**Figure 5.6** Two reasons for change: the burning platform and the dream

*Photographs:* Todd S. Holder/Shutterstock; 123rf.com

evident burning platform for changes to health and safety that was harnessed to mobilise change. Yet the illustration also reveals that individuals needed to understand what new ways of working they had to adopt for change to occur.

While mobilisation may occur because there is a felt need for change throughout the organisation that can be capitalised on, such as public outrage at the performance of a public sector organisation, or a change in the competitive environment that has led to a significant decline in organisational performance, or a shock such as that at Stadco, that is tangible to all employees, it is necessary to be wary of exhortations to ‘create a crisis’. What creates a crisis for managers may leave the rest of the workforce relatively untouched. After all, that is what managers are paid to do – sort out problems. In reality both a burning platform and a dream (in other words – an engaging vision) are needed to mobilise individuals for change, see Figure 5.6. The change equation is a useful way of thinking about how to achieve this.

### 5.7.1 The change equation

The change equation, shown in Figure 5.7, states there are three components that need to be present for individuals to be prepared to undertake change. For individuals to feel that the problems and pain of change are outweighed by the advantages of the need for change, it is necessary for people to:

- be dissatisfied with the status quo;
- be convinced the proposed changes are a viable way of resolving current problems;
- believe the proposed changes are achievable.

This equation is particularly helpful when considering mobilisation. It also ties into the discussion in the previous chapters on readiness for change. Mobilising individuals is about

$$C = (A \times B \times D) > X$$

When

**C** = Change

**A** = Level of dissatisfaction with the status quo

**B** = Desirability of proposed change

**D** = Practicality (risk of disruption) of change

**X** = Personal cost of changing

**Figure 5.7** The change equation

Source: Adapted from Beckhard, R. and Harris, R. T. *Organizational Transitions: Managing Complex Change*, 2nd edn. Upper Saddle River, NJ: Prentice Hall. Copyright © 1987 Pearson Education, Inc. Reproduced with permission.

getting individuals to recognise that change is necessary and that they have to let go of the past, but also that the proposed changes are desirable because they will solve the problems the organisation is facing, and that they are achievable.

Consideration of the three components of the change equation gives us insights into how to generate readiness for change. There are a variety of different means that can be used. So for example, communicating a burning platform is one way of generating dissatisfaction – but not the only way. The following lists some other possible tactics. When considering these tactics, it should be remembered that a key aspect of any successful mobilisation tactic is likely to be novelty, which means doing things differently from the way they have been done in the past. For instance, previous change attempts may have been initiated the same way, perhaps by the appointment of new managers, the removal of other managers and the announcement in memos and meetings that changes and restructuring are to take place. If, following these past change initiatives, staff have then seen little change, this would not be a good way to launch a new attempt at change. At ICI paints in 2007, following the merger of the retail and trade divisions, the annual corporate conference was used to communicate the future strategy and reinforce the new ‘one company’ culture in a different way. The leadership team wanted to communicate their determination to succeed in a difficult marketplace. They used a performing arts company to teach everyone – all 850 people – the Haka (a traditional Maori war dance). The senior executives learnt the dance in advance so that they could demonstrate it at the conference alongside the arts company team.<sup>18</sup>

### 5.7.2 Questioning and challenging of the status quo

There are a variety of techniques that can be used to encourage staff to question the appropriateness of the existing way of doing things for the organisation’s longer-term survival, creating dissatisfaction with the status quo.

- Encourage debate about the appropriateness of the current way of operating, or hold events at which executives challenge existing ways of thinking and complacency. At Southend-on-Sea Borough Council, for example, (see Chapter 2, Section 2.2.2),

when they launched the *'Inspiring Programme'* to help deliver culture change, this was initiated with cultural enquiry workshops which brought together people from different divisions and levels. Facilitated by consultants, these workshops encouraged people to work together to define and question the current culture as a platform for defining the future desired culture and the behaviours that would underpin it.<sup>19</sup> At Day Lewis Pharmacy Group, in response to the disruption caused in 2006 by government changes to the pharmacy sector, the CEO did something not done by the company before and wrote two different letters to employees at their home addresses. The first went to all staff bar the pharmacists, explaining the problem facing the company and the need for all in the company to work together for the company to get through. The second went to pharmacists only, explaining that they alone could deliver the new services funded by the Government, and that they needed to do this, not to bring in more profits but to protect the jobs of the other people that supported them.<sup>20</sup>

- Present the change vision in ambiguous terms, with the deliberate intent of encouraging individuals to actively question and attempt to make sense of their situation. Whereas ambiguity that is due to executives not giving adequate consideration to what they mean by their slogans and exhortations to change is likely to sow confusion and cynicism, ambiguity by design is a tool that can be used to build active engagement and collaboration.<sup>21</sup> This can be particularly the case in large, diverse international companies. When there is latitude for different stakeholders in different parts of the organisation to interpret change in ways more consistent with their circumstances, this is more likely to achieve buy-in. Ambiguity is, and should be, a temporary state only, however. Something ambiguous does have to be changed into something specific and behavioural so individuals understand what they are trying to achieve. So, for example, offering better customer service in a supermarket may translate into opening more tills when there are long queues.
- Actively create 'sensebreaking'.<sup>22</sup> Challenge the status quo by showing individuals that the past is no longer feasible and so encouraging individuals to ask questions about what is needed to succeed in moving forwards. This may involve disseminating information about some aspect of the organisation that needs to change. For example, as part of the change at Siemens following the bribery scandal for the German company in 2007, Peter Löscher, the new President and CEO, wanted Siemens to be more customer-driven. At his first leadership conference, with 600–700 of the top managers, using their outlook calendars he mapped how much time they had spent with customers and ranked them. First there was debate within the most senior team as to whether names should be used, but they were. Peter Löscher himself came out top which gave him the opportunity to push debate and emphasise the need for others to spend more time with customers.<sup>23</sup> Dissemination of challenging information could be done through the use of internal communication media, or it could involve the chief executive of an organisation using the business press to tell his staff that the organisation is performing poorly.<sup>24</sup> The fact that the chief executive is talking openly about the organisation's performance legitimises debate.

### 5.7.3 Symbolic activity and breaks with the past

Symbolic activity is anything that conveys something about an organisation to the individuals within it. It includes a wide variety of message-sending events, activities, behaviours and language, particularly of change agents and of those in positions of authority, as well as the

manipulation of existing organisational artefacts such as those aspects of an organisation captured in the symbols circle of the cultural web, including status symbols, uniforms, language and logos.<sup>25</sup> These symbols can be changed and replaced to indicate that the company now values different things. Symbolic activity is powerful because it communicates in ways other than words having an impact on the way individuals interpret things. Thus symbolic activity forms a significant component of the interventions in the cultural subsystem discussed in Chapter 3. It should be used throughout the change process to facilitate transition (see Illustration 3.9).

Questioning and challenging is often supported by symbolic action and particularly symbolic breaks with the past. Making symbolic breaks with the past is about doing things differently to indicate that things actually are changing. This may then also legitimise questioning and challenging of the status quo. There are many different ways of achieving this:

- Senior managers can indicate by their behaviour, the way they dress, or the things they emphasise that things are different. At Day Lewis Pharmacy Group, when it was necessary to announce a pay freeze and the withdrawal of bonuses, staff were asked to look into any cost cuttings that could save people's jobs. The CEO himself set an example by, for example, staying in budget hotels when visiting stores or when on other company visits.
- Changes can be made to the office environment. The Post Office started to operate independently of the Royal Mail in 2011, prior to the privatisation of Royal Mail. It needs to be transformed into a modern, profitable business. As part of this change process, the branches have been modernised to improve customer service. Branches have had their glass barriers torn down and strip lighting taken out. The branches have been opened up with clearer signs and more accessible counters to make them more welcoming. There are comfy sofas for people to sit on and the use of technology to speed up processes and make life easier for the customer, such as the use of finger print technology. For Post Office staff in particular, who used to deal with customers through security screens, these changes are tangible, impacting the way they work.<sup>26</sup>
- Changes can be made to the way things are done. Older staff due for promotion may be passed over in favour of outsiders with a different skill-set, and other types of staff may even be made redundant. This is a particularly powerful mobilisation mechanism in any organisation where jobs were always for life and promotion was often linked to length of service rather than performance, although there are not many such organisations left these days. One long-established Scottish professional service firm, for example, needed to be repositioned to compete in a tougher marketplace. The new chief executive, who was himself seen as a break from the past with a less gentlemanly, paternalistic management style, put in place redundancies while hiring in stars from London firms. He also rebranded the organisation.<sup>27</sup>
- Symbolic action may also involve changing language. At Southend-on-Sea they renamed the 'at risk register' the 'talent pool initiative' indicating that those made redundant would have their skills and expertise reviewed to allow HR to build a positive picture of where they could contribute elsewhere in the organisation.
- Symbolic breaks with the past can also be achieved by changing things people value. For example, hospitals in the UK, partly in response to the MRSA infection problem and the need to launder more uniforms within the hospital, is moving its nurses out of uniforms and into US-style hospital scrubs. This takes away the symbolism normally associated

with British nurse uniforms, such as different colours for different levels of seniority, and simultaneously in doing so emphasises the importance of infection reduction. Some hospitals intend to move consultants into scrubs in an even more significant break from the past since consultants do not normally wear any uniform when doing ward rounds.

Illustration 5.6 shows the extent to which symbolic breaks with the past were used to mobilise change at Ferrari by Luca Montezemolo in the 1990s, with many appointments and changes in emphasis that counteracted the old way of doing things under Enzo Ferrari, and the destruction and replacement of many things that would have been considered sacred cows of the past.

## ILLUSTRATION 5.6

### Mobilising through questioning and challenging at Ferrari

Ferrari was the leading F1 team in the 1950s and 1960s, but lost their dominance not to return as a serious contender until the late 1990s. Ferrari was created by Enzo Ferrari, who managed the company in a particular way. The focus was on the car, and particularly the engine, not the driver. The Ferrari designers were by tradition engine designers first and foremost. Drivers were not highly paid since they drove for the honour of driving a red Ferrari. The cars were powered by front-mounted engines since according to Enzo, the horse always pulled the cart. Ferrari's dominance therefore began to wane with the ascendancy of the British constructors, who Enzo dismissed calling them 'assemblatori' or 'garagistes', but who also instituted a change in car design, with engines positioned behind the driver rather than in front. Once the dominance of this design became obvious, the Ferrari designers did come up with a successful rear-mounted engine, winning Ferrari an additional world title. Meanwhile, however, other technology was changing, led by the British from motorsport valley who were becoming experts in chassis design through aerodynamics to build faster cars. Ferrari, however, continued to place engine design above all else.

Fiat came up with a rescue package that involved them acquiring Ferrari in the late 1960s. This provided much needed investment (enabling the building of a test race track at Modena, for example) and another period of success was delivered from 1975-1979 in terms of driver and constructor championships.

Yet Ferrari continued to lose, despite Enzo agreeing to take on a leading British designer. He died in 1988 leaving 90 per cent of Ferrari in Fiat's hands.

In 1991 Luca Montezemolo was appointed by Fiat to run Ferrari. He broke Ferrari into smaller departments and appointed new professional team management. He also hired Michael Schumacher as driver, but as a driver whose position in the team was central instead of incidental, helped by the employment of Niki Lauda as an adviser. Michael Schumacher then facilitated the recruitment of top British engineering talent (in both engine and chassis design) from his old team Benetton. Between them these individuals set about establishing a team environment at Ferrari and stemming the decline in Ferrari's performance. The ability of these individuals to make genuine change was facilitated by the many breaks with the past put in place by Montezemolo to indicate how serious he was about change. Many things that had been held sacred by Enzo Ferrari were dispensed with. British designers were no longer mocked and referred to in negative terms. Cars were now numbered based on the year of racing, rather than the characteristics of the engine to indicate that it was the car, the engine and the team that mattered, rather than just the engine. Schumacher was highly paid and was not expected to drive for the honour and another driver, Lauda, was a leading adviser. Schumacher's recruitment was in fact made possible by a commercial deal with Philip Morris to

**Illustration 5.6 (continued)**

use the Ferrari cars to advertise Marlboro cigarettes. In exchange the colour of the Ferrari cars was changed from the traditional Ferrari blood red to the Marlboro orange red. Other commercial partnerships (different to the traditional 'selling of space on cars to advertise' arrangements) with Shell and Bridgestone tyres brought additional financial and technical support to Ferrari. This newly created environment drove Ferrari to

success once more. Come 1999, Ferrari started to dominate again.

*Source:* adapted from Balogun, J. and Floyd, S. (2010) 'Breaking out of strategy vectors: reintroducing culture', *Research in Organizational Change and Development*, 18, pp. 51–76. Jenkins, M. (2003) 'The Formula One constructors', *ECCH case study*. Jenkins, M. (2005) 'Transforming the Prancing Horse: Ferrari 1950–2004', *ECCH case study*, case number 405–050–1. Autosport.com (17 April 2008) 'Inside Ferrari', *autosport.com*.

Some symbolic changes may be quite ruthless, verging on shock tactics. Such symbolic shock moves could involve wholesale closures or sell-offs of parts of the business that used to be core to the identity of the organisation but are no longer. These moves can challenge the very essence of an organisation's beliefs about its identity or how it operates. When Siemens faced the bribery scandal that engulfed it and its most senior executives in 2007, the 165-year-old industrial German icon was plunged into a crisis. For it to have its offices raided by German prosecutors and its CEO and Chairman forced out was truly shocking. This was followed by the new CEO, the first ever recruited externally, replacing 80 per cent of the top level executives, 70 per cent of the next level down and 40 per cent below that, within a few months of his arrival. In addition, he overturned the traditional German structure of two boards replacing them with one.<sup>28</sup>

#### 5.7.4 Communication, education and training

The above three approaches are all useful for generating dissatisfaction with the status quo. While symbolic gestures can also be used to illustrate what the new organisation is to be about, it is normally the approach discussed in this section – communication, education and training – that is used to create an understanding of how the proposed changes will help the organisation and to indicate that the proposed changes are achievable. Various communication and training interventions can be used to get across to people why change is needed, what changes are needed, and to provide them with the skills they need to make change happen. Such interventions are becoming increasingly popular, as it is realised that genuine change requires considerable investment in mobilising and supporting the workforce. There are few change programmes that don't involve such events. Illustration 3.10 in Chapter 3 describes how Airwave Solutions used events such as energise days, breakfast clubs, and 'MADs' which involved actors acting out scenarios, to help individuals understand the nature of change required. Many organisations now build role-playing and simulations into events that challenge managers and staff to appreciate the changes needed in the company and of individuals.

Storytelling is increasingly used as a means of communication to engage an organisation with change and to mobilise people to participate through generating an understanding of the need for and vision of change. It connects to techniques discussed above



for developing and communicating visions, such as rich pictures, model building and metaphor. Organisations are storytelling systems, with individuals often communicating with each other through stories about their work and the organisation.<sup>29</sup> Instrumentally, stories, or narratives, make the content of strategy easier to understand, enhancing coping and emotional buy-in among employees.<sup>30</sup> More fundamentally, a strategy can be seen as a story, that presents the organisation and its competitive position and the future it is striving to achieve in a certain way. Thus storytelling is a natural mechanism to use when attempting to communicate something like strategic change to others, which also gives the message about change a structure with a start point, an end point, and a description of the journey that has to be undertaken.

Storytelling often involves the use of particular techniques to build and communicate the story. Colt Technology Services used storytelling as the means to share the message of change with the company's workforce when it needed to embark on change in 2010. Colt's strategic change programme was designed to reposition the company as a pan-European 'information delivery platform' rather than a Telco consistent with changes in its business-to-business market place. Once the executives had developed their storyline about the reasons for change and the nature of that change, they constructed a set of storytelling materials to communicate the story. They developed a fold-out brochure to capture the story of change, the reasons for it, the future vision and the steps, and a story wall which captured the new vision and values. Face-to-face workshops were used to communicate the change story, and as change progressed to incorporate stories of success which illustrated how employees were living the story and the values and helped employees to believe in the achievability of change.<sup>31</sup>

Other techniques used as part of storytelling include story maps that explain the change journey, posters and 'comic books'. Bayer MaterialScience in a change process started in 2010 used cartoons which captured the past the organisation was moving away from and the future it was moving to, as part of storytelling to move the company to a future to do with 'one business, one team'. Since the vast majority of Bayer employees were non-English speakers, illustrative messaging was important. The cartoons included particular characters to illustrate different groups within the organisation, including the 'resisters', 'bystanders', 'traditionalists' and 'change agents'.<sup>32</sup> Storytelling can be combined with 'theatre' to develop the acting out of stories as a performance. Following a merger of car and truck dealerships in Brazil, Mercedes Benz introduced a culture change programme to do with identifying and promoting attitudes and behaviours for excellence in customer care to improve their competitive position. They developed workshops which combined theatre and personal storytelling. Individuals told stories and then a local theatre company translated these stories into a performance to encourage questions such as, How do you treat people? And, how do you see people treating each other?<sup>33</sup>

However, if communication, training and education are to be the primary means of mobilisation, the investment required is often deeper, and may involve ruthless and brutally open conversations. Illustration 5.7 describes change at Desjardins, highlighting the role of communication in initiating the changes, but also the role of training, personal development and coaching in enabling individuals to move into the new roles the changing organisation required of them, such as working in a matrix organisation to deliver more collaboration and integration.

## ILLUSTRATION 5.7

## Managing change at Desjardins

Desjardins Group was founded in 1900 as the first financial cooperative in North America. As the number of *caisses* (credit unions) grew, federations (central offices serving a network of *caisses*) were created. By 1944, 11 federations provided services in such areas as technology, risk management, product development and HR. As the Group entered the 21st century it was Canada's sixth largest deposit-taking institution and the largest employer in Quebec. Although change had already been implemented in 2001, when the 11 federations had been merged into one, by 2008 many duplications and inefficiencies still existed. This was exacerbated by *caisses* individually owning subsidiaries that offered a growing range of financial services. Desjardins still operated as a collection of small companies, with a lack of trust between subsidiaries and internal competition. A lack of integration also posed difficulties for customers.

This was the context in which Monique Leroux was elected as the first female Chair of the Board, President and CEO of the Desjardins Group in March 2008, under her campaign slogan of 'One Desjardins'. The election campaign formed the start of the transformation process, and the start of the communication process, as Monique had to get others to buy into her vision to be elected. This involved presenting to regional meetings of elected officers (groups of 50–75 out of the 255 elected officers) at evening and weekend events. She also chose to meet personally with every one of the 255 elected officers.

In order to better serve both members and clients, Leroux wanted to revise the organisational structure of Desjardins Group to be more agile and coherent, with the goal of unifying Desjardins' strengths. She saw the involvement of elected officers and employees as central to her transformation process, along with communication and training and development of staff. Thus once elected, and following the Co-operative model, Leroux included elected officers and employees in developing the implementation of 'One Desjardins'. To start the process in September 2008, Leroux called the Assembly of Representatives together to identify the ten most important issues for Desjardins. In October 2008 she followed this up by organising 200 employees from across the *caisse* network, subsidiaries and the

federation, into 10 multidisciplinary taskforces. These taskforces each reported on one of the ten issues identified by the Assembly of Representatives. Using the results from the taskforces, Leroux reorganised Desjardins around four lines of business. This reorganisation combined previously independent subsidiaries under one Senior VP. Hierarchies were flattened, functions consolidated and duplication eliminated. The number of Senior VPs was reduced from 40 to 12 and the number of VPs from 250 to 112. All existing VPs had to meet with HR to determine where they would fit into the new organisation, if at all.

The goal of 'One Desjardins' was to use the central organisation to better engage and serve the *caisses*. In November 2009, Leroux held a Congress to ensure that the *caisses* were fully supportive of the changes. The delegates approved the strategic orientation with historically high percentages between 84 per cent and 97 per cent compared to typical approval rates of around 60 per cent.

Training programmes became an important integrative activity requiring new investment given the small sums previously invested. An internal institute was developed which helped managers and employees with their personal development, particularly the new skills and mindset required in the new matrix organisation in which everyone was to wear the 'Desjardins hat'. A pilot programme which successfully brought together a group of elected officers on a Saturday to go through collaboration building activities was expanded. Another training programme involved a 3-day bootcamp focused on developing consulting skills to support the *caisses*. Senior VPs also focused on coaching and retraining their teams.

Leroux recognised the limitations of communication by email alone, preferring to meet people and address their questions on a face-to-face basis where possible despite the size of the organisation. She started a newsletter which highlighted key events and another newsletter focused just on the transformation. She held town hall meetings, conference calls and web conferences, and sent out videos with emails, but she also made frequent visits to *caisses* and departments.

### Illustration 5.7 (continued)

The greatest evidence of Leroux's success was her re-election, for a second and final term, as President in March 2013. In four years Leroux and her new team had radically revised the organisational structure of Desjardins Group to not only be more agile and coherent for the benefit of both members and clients, but to also deliver better financial results. Desjardins credit ratings now ranked among the best

in the industry, for example. In 2012 the *Financial Post* selected Desjardins as one of the Ten Best Companies to Work for, and Brand Finance Canada ranked Desjardins among the 50 most valuable brands in Canada.

Source: adapted from Kanter, R. and Malone, A. (2013) 'Monique Leroux: Leading change at Desjardins', *Harvard Business School*, case number 9-313-107.

### 5.7.5 Earlier reconstruction or adaptation

The notion of mobilisation also connects back to the discussion in Chapter 2 on change paths. Sometimes, the mobilisation for an evolutionary change is an earlier change. A common change path is reconstruction, followed by evolution. An initial turnaround is effected through some hard interventions, which acts in part to mobilise the organisation for the more fundamental and transformational changes in the assumptions and beliefs that have to follow, often containing many shock tactics. New investments that grow out of cost savings for a failing business with an out-of-date formula for success will often only produce the expected benefits if accompanied by a change in attitudes about how a business should be run. Thus mobilisation needs to prepare employees for this, showing them what is expected of them in the future. For example, Illustration 2.5 in Chapter 2 describes such a change path at Deutsche Telekom led by René Obermann when he was appointed as CEO in 2006. The initial reconstruction did not just deliver a turnaround, but through other changes made as part of this gave indications as to what would be required in the new organisation. For example, in T-Home, the new team did away with the previous style of working through reports, analysis and PowerPoint presentations and instead concentrated on agreeing the tough decisions that needed to be made. They also took an approach that was clearly results-focused in comparison to the past. Illustration 5.8 describes such a process for a regional newspaper. The new publisher acted fast to create a new organisation capable of delivering change through new senior executives, but then had to put many other interventions in place to achieve a culture change which created a genuinely customer-focused organisation.

### ILLUSTRATION 5.8

#### Turning around a newspaper

In 2008, one of Canada's regional newspapers was suffering a significant decline in its circulation, and also in its advertising revenue, despite a growing local population. The different departments did

not work well together with the press blaming the newsroom, the carriers and the advertising department for problems, and the advertising department blaming the press and the newsroom. Some

**Illustration 5.8 (continued)**

senior managers, by comparison, did not see any problems at all, believing in the paper's mission to educate the local community with an emphasis on national and international news rather than local news. The existing publisher had managed the decline in revenues through a focus on cost-cutting to deliver profits. There was a high turnover of staff, in some departments 100 per cent in two years.

The new publisher negotiated a deal with the paper's owners; he had two years to turn the paper around before showing a dramatic improvement in the top line. After only a few weeks in the job he acted to replace key personnel placing a focus on reemphasising local news and stemming turnover in the newsroom. He then evaluated and replaced as necessary the next level of management. He was able to assemble his new team after only being in post for six weeks. He then put in place a number of task forces to identify actions that needed to be taken to resolve the problems he had identified, consisting of representatives from across the paper. Senior manager compensation was changed so that 50 per cent of salary was focused on halting the decline in circulation and advertising revenue, to make it clear to all of them that they were collectively responsible for the newspaper, rather than in charge of individual parts of it.

Many of the taskforces led to pilot projects which served as learning vehicles that a year in started to yield genuine results, but a longer-term

change was needed in the paper's culture to do with achieving a greater customer focus. Some of the new routine ways of dealing with customers were facilitating this, such as responding to customer complaints about advertisements through an offer of a rewrite or reposition rather than to blame the nature of the merchandise of the seller. However, it also involved changes more generally to the way the paper was run. An internal newspaper was launched focusing on the progress of the change effort and the task forces and their pilots, but also progress with circulation and advertising revenues, and also success stories about customer service. A monthly pizza party was initiated at which a prize for significant customer-focused achievements was awarded. The new publisher also got rid of status symbols such as private parking places and turned the office suite into a conference room. When a key account manager left because he did not like the changes, no customers were lost as the new publisher took it on himself to personally visit the customers in support of the new sales people they were assigned to.

*Source:* adapted from Dewar, R. (2011) 'Northlands Ledger (A): Management Style, Strategy and Performance', *Case Centre*, case number 5-111-006(A). Copyright © 2011 Kellogg School of Management at Northwestern University reproduced with permission. Also, Dewar, R. (2011) 'Northlands Ledger (B): Bringing Customer Focus to a Newspaper', *Case Centre* case number 5-111-006(B). Copyright © 2011 Kellogg School of Management at Northwestern University reproduced with permission.

Mobilising can be helped by making demonstrably successful changes early on, which is sometimes referred to as making 'early wins' or 'picking the low-hanging fruit'. However, this step may not just be about identifying projects. This step may also include things such as system changes which remove old ways of doing things that staff have consistently identified as a barrier to change. It involves any interventions that the recipients of change can identify as a positive step on the way to change, and that can be used as an example of progress and success.

## 5.8 Designing and sequencing change levers

This chapter has argued so far that to move an organisation from the current to the future state, it is necessary to mobilise the members of the organisation behind the change, to move the organisation by putting in place a series of interventions that will lead to the desired changes, and finally to sustain the changes to prevent individuals backsliding into old ways of behaving. This chapter has also suggested that many of the change levers should already have been identified, by developing a picture of the future through a framework such as the cultural web with new systems, structures, routines and symbols, and by considering the barriers to change and how to overcome them. Mobilisation tactics have also been discussed. What now needs to be done is to put the mobilisation, move and sustain phases together with the identified levers and mechanisms to determine when to implement what.

### 5.8.1 Four subsystems of change

The mobilisation, move and sustain phases can be brought together with the identified levers and mechanisms by drawing on the four subsystems identified in Chapter 2 – the technical, the political, the cultural and the interpersonal. These subsystems can be used in conjunction with the Lewin model to help complete the detailed design. The first three map onto the web analysis since the technical subsystem is about structures and systems, the political subsystem is about the power structures and networks, and the cultural subsystem is about symbols, rituals, routines and stories, see Figure 5.8. The fourth subsystem, the interpersonal, consisting of interventions to do with mobilising and then supporting the individual transition through communication, education, training and personal development, has to be developed separately. These interventions will be in addition to the levers that can be identified from something such as a web analysis, but they are important for facilitating the process of individual transitions.

	Mobilise	Move	Sustain
Technical	Changing all formal and informal structures and systems		
Political	Changing all formal and informal networks and power systems		
Cultural	Changing all routines, symbols and stories		
Interpersonal	Changing communication, training, management development and education		

Figure 5.8 Four levels of levers

Exactly how to use the model given in Figure 5.8 is easier to explain with reference to an example. Illustration 5.9 maps out the mobilise, move and sustain process for the merger between the Norwegian oil companies of Statoil and Hydro Oil and Gas, to form Statoil-Hydro (later Statoil), discussed in Illustration 4.7 in Chapter 4. The goals of the merger required fundamental change which went beyond the structural since it presented challenges to existing ways of thinking and acting in terms of ‘the way we do things around here’. The range of change interventions used to facilitate this transition was extensive, and illustrates a particular pattern frequently seen in successful evolutionary transformations. Early attention is focused on hard technical (and sometimes political) interventions to build a context that facilitates change. This is often a reconstruction. Subsequently attention shifts to mobilising for and driving in the transformation through the use of extensive cultural and interpersonal interventions with supporting changes in the technical and political subsystems as required.

## ILLUSTRATION 5.9

### Merging to form Statoil

The change process was carefully designed given the high-reliability context to ensure standards of safety throughout the change process.

	<b>Mobilise</b>	<b>Move</b>	<b>Sustain</b>
Technical	<ul style="list-style-type: none"> <li>● 2007: Whole Organisation Establish an Integration Planning Project (IPT)</li> <li>● Merger approval (competitive authorities) Oct. 1, 2007</li> </ul> <p>March–Sept 2007: Onshore</p> <ul style="list-style-type: none"> <li>● Design new merged onshore organisation</li> <li>● Select staff for new positions</li> <li>● Onshore people rotated into new positions and locations</li> <li>● Develop integration monitoring survey (IMS) tool</li> </ul> <p>Jan–June 2008: Offshore</p> <ul style="list-style-type: none"> <li>● Establish Offshore Integration Planning Project</li> <li>● Design new merged offshore model</li> <li>● Offshore people moved into new positions and locations</li> <li>● Establish Offshore Implementation Project (Jan 2009)</li> </ul>	<ul style="list-style-type: none"> <li>● October 2007: New work processes implemented onshore</li> </ul> <p>July 2009</p> <ul style="list-style-type: none"> <li>● New operational model implemented offshore</li> <li>● HR support system for employees who did not get desired positions</li> </ul>	<ul style="list-style-type: none"> <li>● Results from the integration survey followed up on quarterly basis</li> <li>● Formal evaluation of new and merged organisation to identify needed adjustments</li> <li>● Adjustments and reinforcements made</li> <li>● New changes to simplify and standardise launched</li> </ul>

**Illustration 5.9 (continued)**

	<b>Mobilise</b>	<b>Move</b>	<b>Sustain</b>
Political	<ul style="list-style-type: none"> <li>• CEO (Statoil), Chairman of Board (Hydro)</li> <li>• Selection of staff to fill roles in IPT (50% Hydro &amp; 50% Statoil, IPT leader from Hydro)</li> <li>• 9 top management positions allocated 'equally', i.e. 2/3 to Statoil and 1/3 to Hydro</li> <li>• Equal representation of management and employees from both organisations in all project groups</li> <li>• Extensive participation from various unions to secure employee involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Extensive negotiations about new operational model in offshore part of the organisation. Conflicts between union and management</li> <li>• Integration monitoring survey shows loss of trust in top management among employees in offshore units (June 2009)</li> </ul>	<ul style="list-style-type: none"> <li>• Representatives of offshore management and employees work together on evaluation project</li> <li>• Collaboration contributes in greater understanding of the changes. Also restores some trust.</li> </ul>
Cultural	<ul style="list-style-type: none"> <li>• Corporate values programme launched</li> <li>• Workshops mapping key events in the history of the two companies</li> <li>• Project group working on new name for the merged company</li> <li>• Temporary name of StatoilHydro selected</li> <li>• Leader of the integration programme posts brief integration updates on website every Friday for the first 6–8 months.</li> </ul>	<ul style="list-style-type: none"> <li>• Decision on new name in 2009: Statoil</li> <li>• New logo and corporate values launched</li> <li>• Developing 'The Statoil book' with corporate values</li> <li>• Senior and middle managers trained as role models and change agents</li> <li>• Extensive focus on and support for middle managers in offshore positions as high-reliability context makes operational changes risky and high level of resistance among employees</li> <li>• Monitor cultural aspects through quarterly IMS survey</li> </ul>	<ul style="list-style-type: none"> <li>• Results from integration communicated to organisation and to the external market</li> <li>• Success of the onshore integration communicated and ascribed to well-functioning collaboration between the two companies and between management and employee representatives</li> </ul>
Interpersonal	<ul style="list-style-type: none"> <li>• No employees would lose their job</li> <li>• All employees asked to indicate interest in positions in the new organisation</li> <li>• Incentive schemes encouraging all employees to seek new positions/locations in order to ensure physical integration of people</li> <li>• Employees above the age of 58 can retire with 70% of their pay until retirement age (67)</li> <li>• Pamphlets developed illustrating the new organisation, the incentive schemes, the deadlines and deliveries from the change project etc.</li> <li>• Creation of integration website for communication with employees</li> </ul>	<ul style="list-style-type: none"> <li>• Workshops for high and middle level managers to ensure buy-in and commitment to the new and integrated organisation</li> <li>• Training and support for employees</li> <li>• Offshore – extensive resources used to train those who were put into new positions</li> <li>• Offshore – temporarily reduce other activity to focus on implementation of change</li> </ul>	<ul style="list-style-type: none"> <li>• Personal success stories from employees who moved were communicated through corporate newsletters</li> </ul>

**Illustration 5.9 (continued)****Mobilisation**

The first nine months (prior to the official merger approval) consisted of a number of activities aiming to prepare for tight integration. The CEO announced very early on that in order to build on best practices, the organisations that previously were fierce competitors would be tightly integrated. He did not want to see any organisational units consisting of only Statoil people or only Hydro people. Employees were purposefully to be mixed. Statoil was about five times as large as Hydro. It was deemed as important not to lose valuable Hydro employees. Top management explicitly referred to a merger of equals, to signal that managers and employees from both firms would have equal opportunities. An integration project was established with the primary task of planning organisational integration of the two competitors. Once the merger was accepted by the Competitive Authorities (in October 2007), a series of changes were first planned and implemented in the onshore units, and later in the offshore units. Later a separate project team was established to ensure that the new operational model was implemented in the offshore units. An important tool for monitoring the integration, the Integration Monitoring Survey (IMS), was developed early on for subsequent use on a quarterly basis. It allowed management to track employee satisfaction, degree of task integration, degree of social integration, trust in top management, trust in middle management, and trust in fellow employees (many of whom were newly relocated) etc. Design work started on a new set of corporate values.

**Move**

The new organisational structure was put into effect as people were put in their new positions and began

to adopt new work processes. The integration project which had previously done the planning and designing was maintained, but now focused on training, support and developing change agent skills, particularly among mid-level management. While onshore employees were trained in their new positions and roles, offshore changes were in the planning phase. Then the offshore changes were implemented, with a lot of negotiation to overcome strong resistance to the new business model. The new name, logo and corporate values were also launched with training for senior and middle managers to support.

**Sustain**

Results from the quarterly integration survey were continuously followed up, both at a general level and for each separate business unit. By 2009, the onshore units were well integrated, while the offshore units were still working on getting the new organisational model to function efficiently. An evaluation project was launched to assess the new offshore organisation. Management and employee representatives worked together to evaluate the new model and this led to a greater understanding and commitment to many of the changes, but also some adjustments. The evaluation process served to restore a more trusting relationship between the employees and management. New organisational changes were subsequently launched aiming to reinforce standardisation and simplification of operations.

*Source: written by Prof. Inger Stensaker, NHH Norway from original research.*

**5.9 Linking design of the transition state to design choices**

Some managers question whether it is really possible to plan out in advance an entire organisational transition as described in this chapter. The answer is no, but key questions should be considered. For example, is the new structure to be put in place to enable changes as part of the mobilisation, or are interrelationships and responsibilities within the new structure to be allowed to evolve and then be institutionalised through formal systems and



reporting relationships in the sustain phase? Which new systems are to be used to challenge the status quo, and which to sustain the changes? New measurement systems on, for example, customer service levels may be used as a challenge, and new reward mechanisms may be used to sustain the changes. The degree to which the transition should be planned is also affected by the design choices. For example:

- If the change process is to be more *directive* and *top-down*, it may be both possible and desirable to be more precise about what changes are to occur when, and involve only senior managers in the design of the vision and change process.
- Even in change processes designed to be more *evolutionary* and *emergent* over time, it is useful to give careful thought to how the status quo is to be challenged to achieve mobilisation. Furthermore, some of the early choices that need to be made, such as whether reward and selection systems are to be used to sustain the changes or as part of the move phase, do need to be given consideration. One difference between more *collaborative* and more *directive* change processes may be more to do with who is involved in, or consulted on, the design of the process, rather than the mobilise, move and sustain path selected. Where the change approach and style is to be more *bottom-up* and *collaborative*, then a wider range of employees can be involved in the process of vision development and future organisation design, as at Southend-on Sea (see Chapter 3, Section 3.3.2) or Gatwick Airport (Illustration 3.5, Chapter 3).

Similarly, the mobilisation tactics are affected by context:

- An organisation with *little time* to deliver change and a *low readiness* for change, in which the change agent has the *power* and need to impose change via a type of *reconstruction* or *revolution*, will need to achieve mobilisation quickly. More dramatic and directive means, such as symbolic breaks with the past and shock tactics, may be necessary. See the examples given above.
- An organisation with *more time* to deliver change, whether via *adaptation* or *evolution*, can utilise techniques such as encouraging a questioning and challenging of the status quo, or communication, education and training. Use could also be made of symbolic breaks with the past, particularly if there is a low readiness for change and time could become a factor if change is not initiated.

The strength of a model such as mobilise, move and sustain is not to do with the answers it gives, but the questions it forces change agents to ask. In other words, it facilitates additional reading of the context. Without such a model, it is all too easy to put in place a series of interventions which have little affect because the members of the organisation are not ready for change and do not understand what the changes are all about. It is also possible to leave the changes unfinished, because steps are not taken to institutionalise the changes. Similarly, without the connection of the organisational change process to the individual change process through the transition curve, particularly when attempting to undertake more fundamental change, it is possible to underestimate the range of interventions needed to achieve the required individual changes. However, it is necessary to remember that different levels of the organisation may be at different stages at different times, and that different parts of the organisation may be at different stages, or even need a completely different mobilise, move and sustain process with different interventions. Senior managers may have progressed to the move phase while interventions aimed at mobilising lower-level staff are still being put in place.

## Summary

This chapter has explained the concept of the transition state as an intermediate state between where an organisation is now and where it wants to be in the future. The transition state requires explicit consideration of how it is to be designed and managed.

- The transition state can be conceived of in terms of three change phases – mobilise, move and sustain. However, it must be recognised that in any organisational transition, these three phases are underpinned by the process of individual change and the transition curve. Organisations can only change what they do if the people within them change.
- To be able to design the change levers and interventions, it is necessary to ensure that there is a vision of the desired future state. The understanding of the desired future state can also be used to diagnose potential barriers to change.
- Some of the levers and interventions to be deployed will be identified when a tool such as the cultural web is used to formulate the picture of the desired future organisation. Others will be identified by a consideration of how to deal with the barriers to change and how to achieve readiness for change. Others may have been identified as part of the original change lever design choices (technical, political, cultural and interpersonal). However, additional interventions, particularly in terms of communication, education, training, personal development, human resource systems and resistance management, also require consideration.
- To help complete the design of the levers and interventions, and decide how to sequence the chosen interventions, it is useful to use the four organisational subsystems that are part of the design choices within the mobilise, move and sustain phases. These four subsystems help to focus attention on the additional levers and interventions needed to help individuals through change and facilitate the development of the appropriate organisational changes.
- An additional design complexity is to ensure that there is a match between the selected change approach and the design of the transition state.

The next two chapters build on this chapter by exploring aspects of change leadership, and the need to create enabling conditions that can facilitate transition by fostering a receptive climate for change. Chapter 6 explores the critical role of relationships between senior executives and middle managers to this, and the supporting role of the HR function. Chapter 7 then explains the relevance of employee engagement, trust, voice and justice to a receptive organisational climate for change.

## Notes

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- 3 See Royal Mail Group (2014) Strategy, London: Royal Mail Group Limited <http://www.royalmailgroup.com/about-us/strategy-0>, accessed 26 January 2015.
- 4 Parcelforce Worldwide (2015), Our Company-page, UK: Royal Mail Group, <http://www.parcelforce.com/help-information/about-us/overview-and-key-facts>, accessed 26 January 2015.
- 5 See Note 2 above.
- 6 Kim, W. C. and Mauborgne, R. (2002) 'Charting your company's future', *Harvard Business Review*, 80 (6), pp. 76–83; Kim, W. C. and Mauborgne, R. (6 August 2002) 'Pursuing the holy grail of clear vision', *Financial Times*, p. 11.
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- 11 See Lencioni, P. M. (2002) 'Make your values mean something', *Harvard Business Review*, 80 (7), pp. 113–117.
- 12 See Chapter 14 in Johnson, G., Whittington, R., Scholes, K., Angwin, D. and Regnér, P. (2013) *Exploring Strategy Text and Cases*, 10th edn, Harlow: Pearson Education. See also Johnson, G. (1998) 'Mapping and re-mapping organisational culture' in *Exploring Techniques of Analysis and Evaluation in Strategic Management*, Ambrosini, V., Johnson, G. and Scholes, K. (eds) Harlow: Prentice Hall.
- 13 There are many places where the transformation of Fiat are documented. See, for example, Sylevers, E. (02 March 2005) 'Losses narrow at Fiat as chief pursues turnaround', *The New York Times*, [http://www.nytimes.com/2005/03/01/business/worldbusiness/01iht-fiat.html?\\_r=0](http://www.nytimes.com/2005/03/01/business/worldbusiness/01iht-fiat.html?_r=0), accessed 26 January 2015. Mackintosh, J. (19 May 2006) 'Sergio Marchionne: Moving into a higher gear', *Financial Times*, <http://www.ft.com/cms/s/1/c7198f40-e71d-11da-9046-0000779e2340.html#axzz3Px2YJAED>, accessed 26 January 2015. Hunston, H. (December 2006) 'Bravo Fiat!', *Institute of the Motor Industry Magazine*. *BusinessWeek.com* (10 November 2006) 'Fiat's turnaround takes root', *Business Week.com*, <http://www.businessweek.com/stories/2006-11-10/fiats-turnaround-takes-rootbusinessweek-business-news-stock-market-and-financial-advice>, accessed 26 January 2015. Marchionne, S. (2008) 'Fiat's extreme makeover', *Harvard Business Review*, (December), pp. 45–48.
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## WORK ASSIGNMENTS

- 5.1 What are the characteristics of successful vision statements?
- 5.2 Using an internet search, find the vision and value statements for one well known organisation. Convert those vision and values statements into a central paradigm for the organisation's future web.
- 5.3 For your own organisation (whether that is an employer or a university) construct a current cultural web. What would you identify as major barriers for change in that cultural web?
- 5.4 Think about a personal and significant change you have been through. Track your experiences at different phases of this change using the transition curve. In terms of helping you move along through transition, consider what was helpful/unhelpful during each phase, and what you have learned from this process to enhance your future personal change capability.
- 5.5 Track a change process either you have experienced or is presented in a case study, against the mobilise, move and sustain model. What interventions were used in the three different stages? How well was each phase managed and what could have been done better?

## Transition management: building enabling conditions for change

### 6.1 Introduction

In the previous chapter we turned our attention to how to build on the identified context appropriate design choices to design and manage an organisational transition, taking into account the dynamics of individual transitions. We focused particularly on developing and sharing the vision of the future state for the organisation, mobilising for change and how to phase the selected interventions over time. As well as emphasising the importance of visioning, we also examined the use of different communication devices such as storytelling and the use of symbolic actions to reinforce the message of change. The next two chapters build on this, focusing particularly on the enabling conditions that are needed to support organisational transitions. Relationships are key to the process. Change occurs in a dynamic interaction between corporate/senior executives, middle managers and the rest of the organisation. Linkages need to be developed and maintained between these different groups for commitment to change to be promulgated throughout an organisation. In this chapter we focus particularly on the nature of the change roles and relationships between senior executives and middle managers, and the role of the HR function in supporting the delivery of change.

This chapter will:

- explain the need for enabling conditions for change to support organisational transitions;
- explore the role of senior executives as relational leaders, with skills in reading and writing the context;
- discuss the role of middle managers in change and the skills and competences they need to fulfil this role;
- explore the role of the Human Resource Function, including Organisational Development and Learning & Development, in supporting those leading change and fostering enabling conditions.

Chapter 7 then introduces the concept of organisational climate as an enabling condition and the related concepts of employee engagement, trust, voice and justice.

## 6.2 Enabling conditions for change

The previous chapters of this book devoted considerable attention to the need to focus on the transition state as a separate state in its own right, which requires explicit attention and design if an organisation is to successfully realise its new strategy. We have concentrated on the importance of designing a context-sensitive approach to implementation (Chapters 2–4) and how to do this. We have also (Chapter 5) discussed how to extend this context-sensitive design by considering how the selected change process is phased over time. However, the story does not stop here. The transition process will be more likely to be successful if certain enabling conditions are in place, which are known to facilitate change. Just as in a theatre company a play requires a cast of actors who all need to understand their role for a production to be successful, so the implementation of change requires a cast of characters who understand that they are all essential to its success.

In this chapter and Chapter 7, we focus on concepts that have emerged in recent research as critical to successful change or are actively promoted by change consultants as critical within recent change practitioner literature. We focus in particular on two aspects of enabling conditions. First change is supported by a two-way relationship between senior executives, the most senior managers in an organisation, who are typically the mandated leaders of change, or the prime movers, and the middle-level managers, who may be charged with making the plans of their seniors happen, and the rest of the organisation (see Figure 6.1). These relationships are vital to building alignment in terms of the direction and intent of change, and in building commitment from middle managers and in turn their teams, to the change. The momentum created for change by developing readiness and mobilising individuals in an organisation behind the change effort, will not be continued

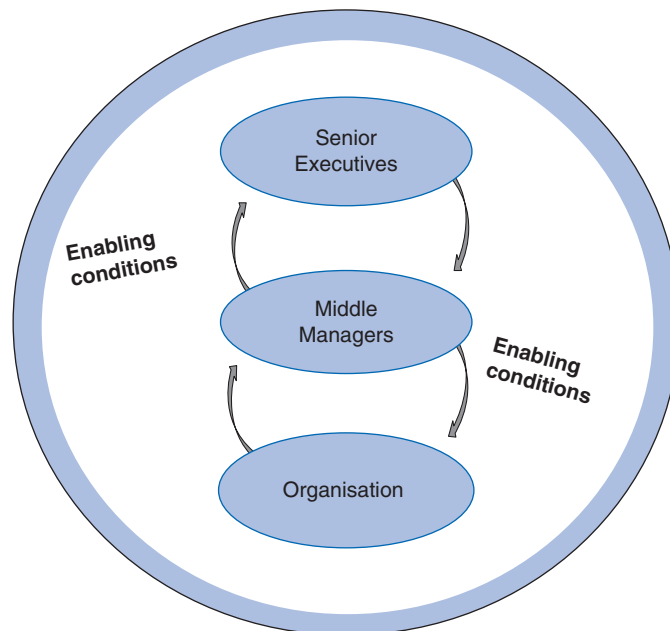


Figure 6.1 Enabling conditions for change

unless these relationships are fostered and maintained to support the on-going effort and investment that will be required to bring the change process to fruition. We discuss this aspect of the enabling conditions in this chapter, through a focus on senior executives, middle managers and the HR function and how they can work together to deliver change. The second aspect of the enabling conditions is to use these relationships to develop an organisational climate that creates fertile ground in which change programmes have the best chance of success. Concepts relevant to this include employee engagement, trust, employee voice and justice. We discuss these in Chapter 7.

## 6.3 Senior executives

The ability to manage change is fast becoming a mainstream competence for senior executives. It is no longer an optional extra in the managerial toolkit. This is driven by the pace and nature of organisational change, rather than any fashion pushed by business schools or consultancies. Anyone wishing to aspire to a senior role must have had some demonstrable experience in managing change and be thought capable of leading change in their own particular area.

The pace and nature of change is also determining the composition of change competence. Change is so rapid and so constant that it is rendering obsolete universalistic formulae to many management problems. As we have stressed throughout this text, understanding that different organisational contexts require customised approaches to the leadership of change is a critical competence for senior executives. Therefore being able to conduct that *analysis* of context is a key activity for senior leaders in change. Capabilities in ‘reading’ as well as ‘rewriting’ contexts, often by leading through example, are increasingly recognised as critical leadership competences.<sup>1</sup> Leaders need to engage in behaviours that put change into action. In addition, drawing on recent research, leaders need to demonstrate a more relational style of leadership, which is important to creating and maintaining change-supportive relationships with middle managers and other parts of the organisation.

### 6.3.1 Reading and rewriting the context

A recurrent theme throughout the writing of this book, introduced in Chapter 1, has been the idea of putting change strategy into practice through ‘reading’ but also ‘rewriting’ organisational contexts in order to make them more receptive to change. As change becomes more complex leaders need to be able to observe, analyse and diagnose their particular context of action. This art of ‘situation sensing’ requires leaders to develop behaviours that allow them to adapt to any organisation, workplace and situation. This chameleon-like adaptation is necessary in order that they may closely observe what’s going on among different stakeholder groups, for example, or exactly what is happening in senior management meetings or within different divisions or international operations.<sup>2</sup> Change-sensitive leaders often deploy some form of reality check to ensure that they are not losing touch with the organisational experience for customers or employees, or not starting to view the business results through rose-tinted spectacles. For example, in Chapter 5 (see Section 5.7.2) we describe how Peter Löscher, when he was the newly appointed President and CEO at Siemens, used his senior managers’ outlook calendars to map how much time they had spent with

customers, including himself in the ranking he developed to place renewed emphasis on the customer perspective. Some change leaders use surprise visits to local stores or factories as a way of keeping up to date with the day-to-day operations of their organisation. They want to gauge whether morale is low or conversely whether complacency is high. They want to understand whether the different parts of the organisation have unique needs or whether the way that employees are experiencing change is a fairly common and similar experience.

Key to gathering information about what is happening are change agent competences such as having the ‘common touch’; the ability to communicate with people at all levels within the organisation. If a change leader can only converse with a small group of people close to them then they may gather only a very partial view of their organisation. Close analysis of employee attitude and customer surveys serve a similar purpose for change leaders. Goffee and Jones (2007) call all of this activity ‘senses working overtime’.<sup>3</sup> Other leaders of change invite academics to conduct research on change within their organisations using the reports produced to provide an independent and objective reality check.<sup>4</sup> Of course, many of the models and frameworks presented in this book, including the Kaleidoscope, the cultural web and the transition models, can help managers to do that for themselves. That is their purpose: to enhance managerial competences in reading the context.

However, as we stress in Chapter 1, it is not enough to simply read the context and conduct analysis for change – one must also take action. Leading change involves many components. It is about developing a new vision for the organisation through *analysing* and understanding how the current organisational context needs to change, *inspiring* people around that new vision for the organisation by demonstrating new behaviours and ways of working at senior levels and then *engaging* all employees in the change journey that needs to be undertaken. Yet one of the most difficult parts of these tasks for any senior leader is often role modelling the vision through their own (perhaps changed) behaviour. It is one thing for a senior executive to talk about a new vision but it is quite another for him or her to actually change their personal behaviour to match that vision. Mahatma Gandhi described this famously as ‘Be the change that you wish to see in the world’. Leaders need to live the change they want the rest of the organisation to adopt.

Thus, senior leaders must use their own leadership behaviour, or ‘lead by example’, in order to transform rather than just react to a context. Stories of successful change are full of leaders who use their own behaviour to construct a new social reality and a new mindset. As a result, their own behaviours become a form of symbolic example for the organisation. It is common for leaders of change to identify themselves as the enemy, by which they mean that they know they are part of the old system and part of the problem. To fix the problem they have to own it and show others the way. One leader we have already mentioned as an example of someone who has been successful at reading and rewriting his organisation’s change context by leading through example is Kirit Patel, the founder and CEO of the Day Lewis Pharmacy group (see Chapter 5, Section 5.7.3.) He models the people philosophy of it being a ‘family’ business through his own behaviours. When the business had to make job and pay cuts to respond to the downturn and recession in 2008, the challenge was how to explain to staff the need to commit to a period of austerity. Kirit drastically changed his own working habits. He started using low cost transport and hotels, while at the same time making it clear that his own family money was being put into the business to reduce the need for too many drastic cuts. This was carefully communicated to staff.



### 6.3.2 Relational leadership for successful change

Arguably, since the financial crisis, there has been a shift in popular perceptions of what constitutes a good leader. Recent research shows that as well as reading and rewriting the change contexts, senior managers also need to demonstrate a more relational style which demonstrates a genuine concern for others both in terms of benevolence and also integrity.<sup>5</sup> Leaders need to appear less remote and elitist, and instead more human and more personally approachable in their everyday behaviours. In times of austerity people demand more overt humility on the part of senior managers, whereas in times of economic boom a more lavish celebrity type lifestyle may be tolerated.

A relational style of leadership is one in which the power of leaders resides in the existence of strong, sustainable, trustworthy relationships with employees as well as external stakeholders or shareholders.<sup>6</sup> As such, employing a relational style of leadership is critical to developing strong relationships with middle managers and others in the organisation as a foundation for change. It creates followership in others.

A relational style of leadership requires leaders to not only nurture relationships but to do so by developing within themselves a 'relational mindset' which puts relationships at the centre of what leaders do. Research shows, for example, that relational leaders emphasise the need to go and meet employees rather than staying in the safe confines of the 'C suite' (the colloquial term for the executive suite). Table 6.1 shows the difference between this relational leadership mindset, compared with a more transactional one. It illustrates that, whereas the transactional mindset tends to be individually and short-term focused, perceiving of the ideal leader as a superman-type person, the relational mindset emphasises sharedness and takes a long-term orientation, which is often associated with a more collective approach to leadership.

It is through the actions of leaders that many of the enabling conditions for change we discuss in Chapter 7 are created – engagement, trust, employee voice and justice. Employees want to see their leaders in action in order to assess whether they can trust them to lead them through change. By meeting their employees on a regular basis through 'town hall meetings', or connecting with them through the use of social media, for example, leaders are able to hear and learn from them directly about their experiences of change. These sorts of interactions emphasise the importance to others that senior leaders place on hearing employee opinions and voice.

**Table 6.1** Relational versus transactional mindset

	Relational mindset	Transactional mindset
Interpersonal orientation	Groups and social collective	Individual
Source of success	Shared accomplishments and group performance	Individual achievement
Temporal orientation	Long term	Short term
Definition of self	In interdependence with others	Independently through oneself
Leadership style	Collective and shared	Red-cape

Source: adapted from Chen, M.-J. and Miller, D. (2011) 'The relational perspective as a business mindset: Managerial implications for East and West'. *Academy of Management Perspectives*, 25 (3), pp. 6–18; Gratton, L., Hope-Hailey, V., Stiles, P. and Truss, C. (1999) *Strategic Human Resource Management: Corporate Rhetoric and Human Reality*, Oxford: Oxford University Press.

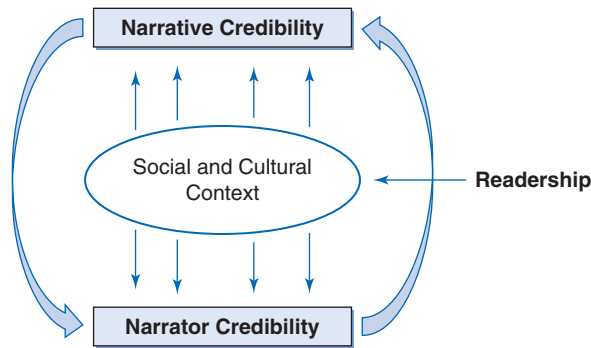
A recent research report asked people who actually worked for successful senior managers of change what good leaders actually did to make people trust them.<sup>7</sup> Curiously, and in direct contrast to the ‘superman’ approach to leading change, those interviewed talked about the importance to them of their senior leaders being willing to share their personal stories about change, both their successes and failures, and their own vulnerabilities as leaders. Their staff said it made them appear less Herculean and more human. As such they were seen to be more capable of understanding the fears of change held by people at any level of the organisation and at the same time reassure them that change was possible.

Organisations we have already discussed in previous chapters for their capability to engage others in processes of change, such as the John Lewis Partnership and Day Lewis, exemplify a relational approach to leadership. One leader at JLP emphasised the need to learn from staff as follows: ‘I’m always very curious to hear what’s on their minds. I think it is fascinating to see the diversity of thought patterns from our staff. I really enjoy that sort of debate.’ Similarly one JLP managing director described her job in the following terms: ‘You’re here on behalf of the people you lead. I feel really responsible for them.’ This leadership style employed at JLP and Day Lewis emphasises humility as an aspect of leadership and enables their leaders to position transformation within the organisation as in the best interests of all people within the organisation. The leaders position themselves as ‘servant leaders’ for the broader workforce.<sup>8</sup>

### 6.3.3 Building credibility

A relational leadership style contributes to the ability of senior executives to build credibility in the eyes of the rest of the organisation. Credibility is enhanced through the construction and communication of a coherent and credible narrative for change that engages others, ‘All effective narrativists manage to achieve two fundamental outcomes: credibility (or believability) and defamiliarisation (or novelty). To be successful, narrators must (a) convince the listener that their narrative is plausible within a given context and (b) bring about a different way of viewing things’.<sup>9</sup> Credibility requires both narrator and narrative credibility. To appreciate this it is necessary to separate the authors and communicators of strategy narratives from those receiving it (‘the readers’). It is a mistake to think of communication in terms of the transmission of meaning. Recipients of change, the readers, will not necessarily ‘hear’ what the authors of a strategy narrative intended them to hear. Rather readers will bring their own backgrounds and experiences to bear as they listen to a narrator and his/her narrative,<sup>10</sup> see Figure 6.2. Since they view the narrator and the narrative through their particular social and cultural context, the credibility of both is dependent on how the reader perceives and interprets them. In other words, narrator and narrative credibility is determined by the readers, not the authors. Senior managers cannot control the meaning others take out of the messages they communicate, which is why so many change processes are characterised by confusion and unintended consequences.<sup>11</sup>

Narrator credibility is often influenced by what others know of the narrator and the stories in the organisation about the individual as a leader. For example, is a new President or Chief Executive seen as a ‘returning hero’, someone who did work for the organisation, went on elsewhere building a reputation of success, and is now returning to rescue the organisation such as Howard Schultz, the co-founder reappointed as CEO to lead change at Starbucks (see Illustration 4.3, Chapter 4). Or is the new leader viewed as someone undeservedly parachuted in? This of course also links to issues of



**Figure 6.2** Narrator and narrative credibility

Source: used with the permission of Mandy Bennett of Relume Consultancy

formal and informal power that we discuss in Chapter 4. Yet narrator credibility can also be influenced by choices of narrator voice and perspective.<sup>12</sup> Voice and perspective are to do with ‘who says’, and the way the origins of a narrative are portrayed. Does the narrator personalise the narrative, talking in terms of ‘I’ and ‘we’, and presenting the analysis within the narrative as originating fully or in part through his or her own industry, market and company knowledge and experiences, in discussions with others in the organisation? Or does the narrator talk more as an external consultant, delivering the analysis underpinning the narrative in a rational, analytical manner reminiscent of a consultancy style exercise? Although the latter approach may give a sense of objectivity, readers are often less engaged and less excited by impersonal narratives. Personal narratives are also often better audienceed, linking into the audiences’ social and cultural context to enhance the chances of the audience hearing what the narrator wants them to hear rather than taking something different from it. A personalised narrative may also help leaders in their adoption of a relational leadership style as it enables them to communicate their personal experiences more effectively. At the same time, by constructing a narrative, leaders help themselves make sense of the change and develop greater awareness of their own leadership style and practices (we return to the importance of self-awareness in Section 6.3.4).

For example, when the recently appointed Vice President (VP) of the UK subsidiary of a multinational fast moving consumer goods company had to initiate change in the UK in support of a company-wide change initiative, he was able to contextualise the change narrative he developed in a way that engaged the UK employees with the change process through his local knowledge. He was able to do this because he was returning to the UK having previously been a marketing director there. Thus when he launched the change programme first to senior managers in a workshop and subsequently to all employees at a conference, he made the change process relevant through linking to UK specific market and subsidiary performance issues. He drew on the historically successful legacy of the subsidiary, such as its ‘great brands’ and ‘great people,’ to present a change journey which drew on the subsidiary’s assets to facilitate the change process. He was able to draw on and position his change narrative within both his historical and current knowledge of the local UK market and the subsidiary, personalising the narrative and linking it to the experiences of the individuals in

his audience. His audience also positioned him in terms of his previous reputation in the UK subsidiary as a people person. Thus the credibility of both him personally and his message was enhanced given the UK audience.

Narrative credibility can also be enhanced by physical representation of and embodiment of the narrative, or what some refer to as ‘narrative materiality’.<sup>13</sup> Narratives can be disseminated in ways other than the spoken word which have a physical form, such as newsletters and internet sites, but also in visible actions and behaviours that capture the essence of the narrative and prolong its life beyond the storytelling moment. This links to the discussion in Chapter 5, and above to do with role modelling and leading by example, about the need to communicate visions in ways other than just words. A particularly important element of materiality is symbolic activity (see Chapter 5, Section 5.7.3). Narrative credibility is enhanced through physical and symbolic means as it gives a narrative a life beyond the moment of the spoken word and through consistency in word and deed. Thus the UK VP in the above example gave his change narrative significant materiality by supplementing various verbal and written channels of communication with more symbolic means of communication. These ranged from awards for those living the new behaviours and the giving of the awards visibly in public settings, to many initiatives to emphasise the collegiate nature of the company, such as company-supported charity events.

#### 6.3.4 Leadership practices and successful change

One important aspect of successful change is putting the various ideas, strategic visions and future narratives into action. How this is done is captured in the various practices that leaders make use of during change. A recent study of 30 successful leaders of change emphasises the importance of leaders being extremely self-aware of their own behaviours.<sup>14</sup> This, of course, enables them to use their behaviour to lead by example and role model the new ways of behaving for the rest of the organisation as we discuss above. Similarly to studies on relational leaders, the study suggests that as the world becomes more complex it makes it less easy for charismatic ‘heroic’ leaders to individually dictate and control what is happening. Instead it suggests that the leader can only set the overall purpose and framework for what has to be done, build insight, capability and ownership for the change around them and then leave space for others to step in and become jointly responsible for making change happen. As such it shifts the focus from the importance of planning and thinking about change at a more theoretical level, to the role of leadership practices in implementing change. As this book has stressed, leadership has to move beyond analysis to action.

The study suggests that there are four different leadership practices in order to make change successful. These are grouped into: attractor, edge and tension, container and transforming space (see Figure 6.3).

These practices are important to building and maintaining relationships with others. Attractor practices create a magnetic pull and a sense of energy among members of the organisation. *Edge and tension* practices enable senior executives to have open and honest conversations about challenging topics. Through *container* practices leaders can create a platform for social networks that help the adoption of new ideas. When adopting *transforming space* practices, leaders enable understanding in others.

<p><b>Attractor</b> Leadership that embodies the change it seeks to create while creating a vision that can be widely shared by the organisation. These practices also define how leaders give meaning to people's experience during change while caring about the wider good of the organisation and seeking to establish an emotional connection with others.</p>	<p><b>Edge and tension</b> Leadership that includes calling out the taken-for-granted assumptions that characterise an organisation while making sure that the change process stays 'on course'. Specific actions here include providing feedback, rewarding positive change behaviours of others and addressing dysfunctional behaviours appropriately.</p>
<p><b>Container</b> Leadership practices that help to manage the anxiety of others during times of change by channelling possible tensions into a positive force. This requires self-confidence from leaders, being accessible and setting a framework of boundaries and rules which people can orientate themselves around but still move freely within. It also requires leaders to have 'tough conversations' with others built on mutual respect and trust.</p>	<p><b>Transforming space</b> Leadership that develops an appreciation of the moment by not getting caught up in the daily 'hustle and bustle' that often characterises situations of change. This requires leaders to develop self-awareness, engage in open and often unstructured dialogue with others while continuing to support the change agents that they have appointed in their journey.</p>

**Figure 6.3 Leadership practices for successful change**

Source: adapted from Rowland, D. and Higgs, M. (2008) *Sustaining Change: Leadership that works*, Chichester: John Wiley & Sons.

## 6.4 Middle managers

Developing and maintaining a relationship with middle managers is a critical task for senior executives because, particularly in the large and geographically distributed organisations commonplace today, middle managers play a key leadership role, taking on the mantle of senior managers and therefore becoming change leaders locally in their parts of the organisation. This also requires a shift in mindset about the nature of middle manager roles in both the middle managers themselves and senior executives.

Up until the 1990s, middle managers were the subject of much criticism and negative press. They were characterised as foot dragging, resistant, saboteurs of change, adding little value to organisations since they performed a simple linking pin function, doing little more than acting as a conduit for senior manager instructions to others below them in the organisation. In the waves of delayering and downsizing in the 1980s many even predicted the death of middle managers.<sup>15</sup> Research in the 1980s, however, started to recognise instead middle managers as fulfilling an important strategic role in organisations, and as misunderstood, misrepresented and under-researched. Research increasingly showed that even in the traditional hierarchical and bureaucratic organisations common then the importance of the middle manager role was underestimated. Now there is a plethora of research on middle managers and their strategic role. Furthermore, middle managers are not about to disappear – predictions of their demise were premature. The delayering and flattening of hierarchies in the 1980s may have reduced their numbers, but other changes have counteracted this trend. In the more global organisations of today, changing technology and ease of travel alongside increasing harmonisation across markets, have changed spans of control and levels of autonomy. Indeed, as many organisations 'globalise' many senior managers used to having strategic decision-making autonomy within their own local country team are dragged into the middle manager ranks, as decision-making is moved upwards to a regional level leaving them as mere implementers of others' strategy and as middle managers of the larger corporation.<sup>16</sup> Middle managers are now also a more heterogeneous group, including general line managers (such as

divisional or business unit managers), functional line managers (such as a VP of sales) and even project-based managers.<sup>17</sup>

Middle managers are not only now recast as a strategic asset. They are frequently shown to be particularly important for implementing change.<sup>18</sup> This is not just because they can be nominated change agents to whom responsibility for implementing a particular change initiative is assigned, but is also owing to their position in the organisation. They act as a ‘two-headed Janus’, facing upwards and downwards between strategy formulators and employees. They occupy a key negotiation role and a buffer zone between the senior managers and the rest of the organisation. In addition, as research on middle managers develops, we are also finding that they are significant for the levels of trust placed in them by others.<sup>19</sup> In the large, complex and geographically dispersed organisations of today, in which the most senior managers are often physically distant, the middle managers are the ones who are trusted by the employees. As they are trusted they are also the people who can persuade lower levels of the need to change their work routines and practices or alter attitudes and behaviours. There is a need for change leadership to reside at this level.

However, there is also evidence that organisations are failing to motivate middle managers to become the change ambassadors that the senior teams desperately need them to be. They can become overburdened by the task they have been given. This leads to a breakdown of the dynamic interplay between them and the senior management. All this points to the need for middle managers to be:

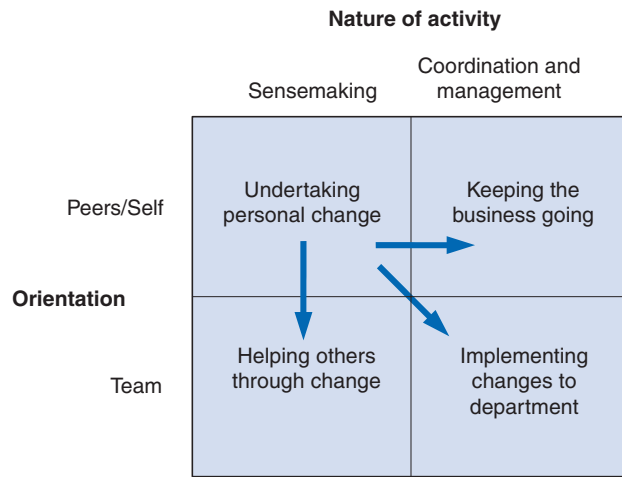
- engaged in designing change implementation so that it makes sense at a local level;
- leaders of change – and indeed to adopt the senior manager mantle in geographically distributed organisations, since senior managers are likely to be too remote;
- supported and acknowledged for their critical and emotionally demanding role in implementing change by their seniors.

In addition, since middle managers may lack formal power in comparison to senior managers, this requires them to have a particular skill-set that all strategic players may in fact need, but are less obvious in those with formal power. As middle managers cannot rely on formal authority, middle managers need to draw on a diverse set of resources and skills to influence the development of change.<sup>20</sup> We discuss these below.

### 6.4.1 Middle managers as change intermediaries

As we say above, the traditional view of middle managers is that they are a linking pin between the top and bottom of the organisation. They are there to carry out orders unquestioningly providing little added value.<sup>21</sup> More recent research, however, shows their role in strategic change and renewal to be a valuable one. They need to ‘operationalise’ the strategies devised by their senior managers to make them work in practice, and have an impact on the actual change outcomes through the way their actions then edit those senior manager plans.<sup>22</sup> The middle manager change role is in fact complex and demanding. They face certain challenges:

- communication and interpretation of plans: a translation task;
- reconciliation of divergent demands and activities from strategic and operational levels: a mediation task;
- shock absorbers for (emotional/negative) impact on others: a buffering task;
- are recipients themselves: a negotiation task.



**Figure 6.4** Interpretation as the key middle manager task

Source: Balogun, J. (2003) 'From Blaming the Middle to Harnessing its Potential: Creating Change Intermediaries', *British Journal of Management*, 14 (1), pp. 69–84.

For much of the time managers are simultaneously change recipients and change implementers, fulfilling a role more accurately described by the term *change intermediaries* since they are responsible for absorbing change and passing it on. Middle manager interpretation of change becomes critical (see Figure 6.4). Their interpretation of what is needed underpins the changes they undertake personally, the changes they encourage their staff to undertake, and the changes they put in place in their departments. Yet many of the activities they need to engage in to further their own understanding of what is required, such as networking and discussions with senior managers and peers, and the activities they need to engage in to help their staff, such as frequent communication, are invisible and an overhead to the business of keeping their departments going. As a result, middle managers can become overloaded. In turn, this leads to a lack of time for important, although less tangible, change-related activities, such as communication with staff, team building, counselling and coaching.

Senior executives leading change need to recognise the pivotal role middle managers play, and equip them with the necessary skills and support. In particular, they need to engage in conversation and dialogue with the middle managers,<sup>23</sup> treating them as partners and co-leaders in the change process, to help middle managers build a shared understanding of what change is about and what changes are needed, and in turn lead and role model the change. Conversation and dialogue is also critical to maintaining the relationship and providing appropriate support between senior level executives and middle managers. This often requires senior executives to challenge their assumptions about the work of middle managers and their assumptions about the practice of change management, see Table 6.2.

### 6.4.2 Middle managers: a two-headed Janus?

Given that the middle manager role is so critical in organisations at times of change, it is important to appreciate the impact of on-going organisational change on these individuals. Middle managers are often the shock absorbers for the emotional turbulence generated by senior management strategies for the people they manage. They also become buffers, shielding their teams from information and change pressures that is not essential for them

**Table 6.2** Challenging assumptions about change management relationships between senior and middle managers

Traditional assumptions about design of top-down change	Updated assumptions about design of top-down change	Implications for practice
Change can be controlled top-down by senior managers. Practice falls out of senior manager edict as middle managers adopt their well-crafted policies and plans, passing them on without question.	Senior managers can initiate and influence direction of the change, but not direct change. Practice is determined by the way those on receiving end of planned interventions interpret them. Middle managers act as change intermediaries interpreting the plans and then acting on the basis of these interpretations.	Senior managers need to engage middle managers in the development of plans, recognising that middle managers mediate the outcomes of planned changes. Monitoring change progress is about working with middle managers to understand what interpretations are developing and why and how this is influencing the direction and speed of change.
Vertical, formal communication from senior managers to others via middle managers seen as key means for creating understanding of change.	Lateral and informal communication between middle manager peers is also a significant vehicle for developing interpretations of what change is about.	As change moves from design to implementation, senior managers need to move away from reliance on formal, vertical communications, and engage more in frequent informal communications between themselves and middle managers to become part of the lateral communication networks through which interpretations are developing. They need to do this through conversation and dialogue and events designed to do this.
Communication is equated with formal verbal and written means. Seen as the transmission of information.	Communication is about both conversational and social practices (actions, role modelling), and includes formal and informal mechanisms such as storytelling, gossip, discussions. Communication with middle managers needs to be aimed at generating new knowledge and shared meanings.	Greater investment is required in change conversations, with a recognition of the multiple conversational vehicles that exist. Senior managers/change leaders need to live the changes they want middle managers to adopt and in turn lead and role model. They need to avoid inconsistencies between their actions, words and deeds.
Managing meaning: Where the need for symbolic communications is recognised, managing meaning is taken to be about a series of one-way top-down interventions.	Aligning interpretations: this a two-way process of sharing and developing interpretations.	Requires a more active involvement by senior managers beyond management by walking about. More explicit attention is required to discussion and storytelling. Senior managers need to work with the reality of middle managers, responding to their issues and interpretations. In larger organisations, this may need to be achieved through the use of a number of middle managers as change ambassadors who work with other middle managers.

Source: adapted from Balogun, J. (2006) 'Managing change: steering a course between intended strategies and unanticipated outcomes', *Long Range Planning*, 2006, 39 (1), pp. 29–49.



to know. Moreover, as discussed above, middle managers are often as much the recipients of detrimental change as the implementers. They are often in the situation of being recipients of change designed by others, maybe in a negative way, yet also responsible for making these plans happen in their part of the organisation.<sup>24</sup> Consequently, in times of adversity this two-headed Janus role of being the implementer of senior management plans, yet the shock absorber for those they manage, requires middle managers to engage in ‘emotional labour’, to induce or suppress their own feelings in order to maintain the outward countenance that produces an appropriate state of mind in others.<sup>25</sup>

The continual change in many organisations is leading to intensification of this emotional work for middle managers.<sup>26</sup> Furthermore, this emotional work has certain unique characteristics: it is unscripted, unsupported and unacknowledged. It is unscripted in the sense that managers are not told what to say, or how to look, as are those more typically associated with emotional labour such as front-line service workers (e.g. ‘have a nice day’ as part of the McDonald’s script). The work is unsupported because middle managers are neither fully in the organisational camp or the employee camp, a kind of hybrid with little support from those above or below, or from peers who are often competitors for territory.<sup>27</sup> The middle manager emotional labour is also unacknowledged, simply because of the low recognition for both the role of middle managers in change, and the degree to which managers need to engage in emotional labour more generally. Yet the widespread prevalence of emotion work can in turn lead to disaffection and disidentification with the organisation, among a group of employees critical to an organisation’s capability to deliver on-going change, see Illustration 5.4 in Chapter 5. This shows how both those being asked to undertake change and those managing the change need support during the transition process. This illustration reveals the emotional nature of the middle manager work. In this particular case, they needed to be professional and detached and believe that the changes were the right thing to do for the business to be able to take up their role in managing the process, which included making others redundant. At the same time they had worked alongside the casualties, and could not remain emotionally detached and forget their concern for people.

### 6.4.3 Middle manager skills

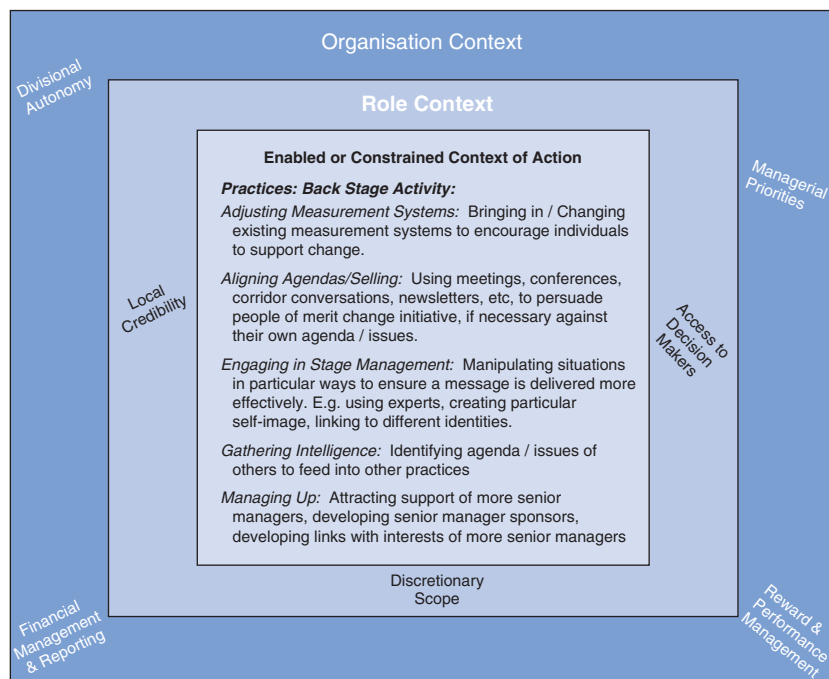
Research that explores the competences and skills of middle managers engaged in implementing change shows the need for them to be culturally embedded, so that they are able to draw on tacit knowledge to build contacts and networks and develop change narratives that are credible and convincing for those they manage. Middle managers are political players, needing to be movers and shakers of networks. Their ability to influence up, down, and across in organisations depends on their interpersonal skills and their capacity to negotiate their competing janusian roles during change.<sup>28</sup>

The *critical* skill for middle managers<sup>29</sup> lies in their political judgement and their ability to not just network, but to *build* networks or coalitions around their change agenda. Many individuals charged with implementing change are not the most senior managers in organisations. They often occupy a middle to senior management role. As such, they lack the formal, position power to ‘persuade’ (or coerce) through means such as the granting or withholding of resources, and the capacity to generally hire, fire, reward or punish. Similarly, they often lack the power to affect decision-making by setting meeting agenda, or determining who attends what meetings. The extent to which this is the case does vary from organisation to organisation *and* even within the same organisation dependent on

the change agent's own particular role context. Therefore change agents can work in either enabled or constrained contexts, see Figure 6.5.

Organisations vary by (a) the degree to which different divisions are independent and autonomous from the corporate centre, with separate identities and ways of doing things, and (b) the extent to which shared managerial priorities, if they exist across the divisions, such as short-term profitability at the expense of longer-term strategic initiative, focus effort in a way which supports or mitigates against change initiatives. The managerial preferences in turn impact on the financial management and reporting systems, and the reward and performance management systems, and the extent to which these systems can be utilised locally to support the change and incentivise adoption. Within this, the middle manager's own role affects the extent to which they can mobilise support for their change initiative, based on their discretionary scope to use a wide range of interventions, their access to influence higher level/other decision-makers, and their local credibility – are their actions seen as legitimate? These factors, although inter-related, combine to create either an enabling or constrained context of action.

The more middle managers are constrained by their context in terms of trying to implement initiatives that don't fit with the prevailing norms of the organisation, the more they need to engage in a range of political practices, captured in the centre of Figure 6.5. These practices shift attention from 'networking' to how middle managers *build* networks of common interest to mobilise/enrol/draw in others to support their change initiatives. Furthermore these practices are primarily to do with 'back-stage activity',<sup>30</sup> based on 'symbolic power':<sup>31</sup> the power to inhibit opposition or get cooperation as opposed to



**Figure 6.5** Constrained and enabled organisation content: back-stage activity

Source: adapted from Balogun, J., Gleadle, P., Hope Hailey, V. and Willmott, H. (2005) 'Managing change across boundaries: boundary shaking practices', *British Journal of Management*, 16, pp. 261–78.

defeating declared opponents, here through the use of language, stage management and aligning agendas with these activities informed by gathered intelligence. Middle managers become more like performers on stage, or spiders spinning a web, consciously trying to manipulate the situation. Most effort goes into back-stage activity preparing for the on-stage performance designed to gain cooperation/allies. The effectiveness of middle managers lies in their knowledge of others and the organisation. Local credibility and access to key decision-makers greatly affects ability to influence.

More generally, middle managers need to exercise strategic influence, to draw others into the change agenda they have been charged with and bring them on board with implementation.<sup>32</sup> As we stress above, strategically skilled middle managers need to be able to use their knowledge of their organisation, its context, and their colleagues, their subordinates and even more senior managers, to influence those around them to adopt their point of view.<sup>33</sup> As we also stress above, middle managers are a special case. Middle managers lack the authority to influence and incentivise through more formal power often held by more senior managers. Thus discursive skills are central to any ability they do have to influence

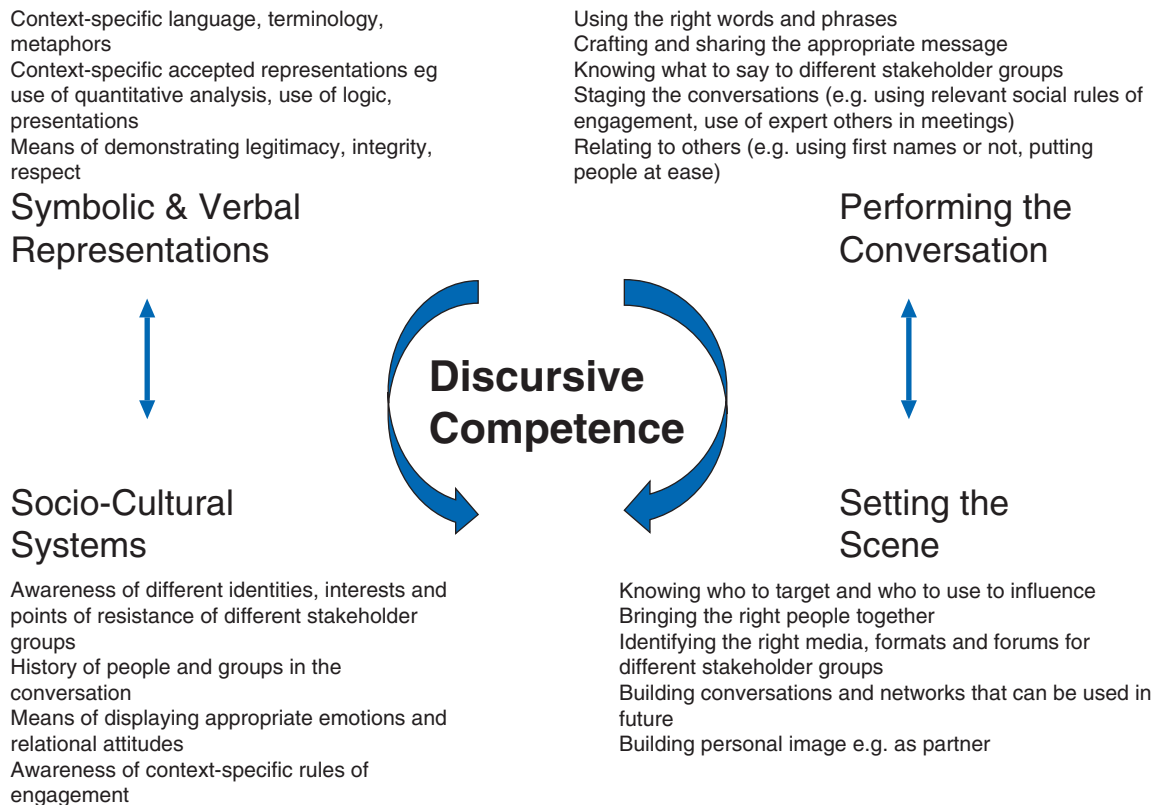


Figure 6.6 Discursive competence

Source: adapted from Rouleau, L. & Balogun, J. (2011) Middle managers, strategic sensemaking and discursive competence, *Journal of Management Studies*, 48(5), pp. 953-83

upwards as well as laterally and downwards.<sup>34</sup> This ‘discursive competence’,<sup>35</sup> ‘a middle manager’s ability to knowledgeably craft and share a message that is meaningful, engaging and compelling within his/her context of operation’ is dependent on a middle manager’s capability to read and use their context. This involves being able to read their context in the way set out above in Figure 6.4, but also to be able to draw on knowledge of their context to use language in a particular way. Language use to craft compelling messages involves a skill that lies in knowledge of the setting including, for example, appropriate words, terminology and approaches to presenting a case for support, but also the histories and identities and motivations of different stakeholder groups within an organisation. Discursive competence involves being able to draw on this knowledge to know how to both ‘set the scene’ to perform conversations and ‘perform’ those conversations, see Figure 6.6.

Illustration 6.1 provides examples of how individuals need to use political practices to engage others with a change agenda, and draw on their knowledge of their organisation to exercise discursive competence.

## ILLUSTRATION 6.1

### Delivering change in a multinational: Robert and Dan

Corporate, a diversified conglomerate, has a number of diverse divisions that traditionally operated as autonomous silos, with strong individual identities accountable only to the centre in terms of ‘bottom-line’ targets. Financial reporting and reward and performance mechanisms therefore focused on divisional financial performance. The power base rested with the divisional general managers, and there were few communication mechanisms reaching across senior managers in the divisions. Implementing centre-led change initiatives was, therefore, difficult, particularly given the tradition of no central mandate for such initiatives making participation by the divisions effectively voluntary. However, there was a need to develop greater cross-business synergies between these diverse business divisions. Two individuals – Robert and Dan – were involved in these projects.

#### Robert

Robert was tasked with delivering across business practices in areas such as pensions, to create common procedures and where possible to reduce costs. When building engagement and support for his change initiatives, Robert regularly referred to things that related to the ‘money men’ culture of the organisation and its traditional priorities, such

as bottom line, balance sheet, cash, profits. He observed, ‘Bottom line, cost-focused is probably the cultural identity’ and ‘I think there is a mistrust of anything that is not money, money, money . . . You have a group of accounting people and a group of engineering people who want very quantitative things. Cash and profit are things you can identify.’ There was a need to bring divergent divisions together through a message that cut across interests, ‘it’s like “no no divisions are very autonomous”, so we’ve really put a lot of effort into putting an attractive package together, a lot of analysis that says here’s a really, really good way to do it, here’s how much you would save if you do this and this . . . that kind of thing.’ He packages his messages through quantitative representations, by linking to the shared interests of the divisions (the bottom line) and by linking his agenda to the perceived need for change in view of external trends, ‘They have to believe it because they have to sell it . . . I didn’t just say we have to save x million, it was more selling than telling, but not sugar coated. Profit is up, earnings down so we have margin issues, it is business reality.’ He also worked when necessary with the different identities of the divisions, such as recognising that division X were the ‘cowboys’ of the organisation.

**Illustration 6.1 (continued)**

Robert extended the way he constructed conversations to all stakeholder groups in the organisation. For example, he needed to position himself as working in partnership with the board, 'What I am doing now is a lot more connected to the business . . . because of the implications for the balance sheet. I am in the boardroom a lot more than I was before . . . this is more about how we reduce our risk and liability, what are the cash flow implications, etc. It is much more business-focused.' Robert knew the importance of getting different networks to support his work and of creating a joint decision-making process with the divisions which overcame suspicion of the centre, ' . . . there was a lot of mistrust at the centre. Just being very open and repetitive about its not a mandate we want to develop a logical framework and have a process for doing this is really helpful. . . . So having them participate and sort of leading them to a rational conclusion that they are going to buy into.' In addition, through forming personal relationships he developed networks that he could use to 'perform conversations' on his behalf, 'having done a lot of travelling last year and meeting a lot of people has helped so I don't have to do so much of that anymore. I can now rely on one part of the network and get them to spread it out.'

To reach individuals he had an appreciation of other peoples' agendas, 'I guess you try and find out what is in it for them . . . Try and find out how reluctant they are. Are they reluctant because someone else is . . . with one of the guys . . . it turned out that it was his boss who was resistant and not him. So then I had to find ways to appeal to his boss.' He had been known to do things such as position experts he knew the audience would consider to be credible in events so they could be called on for support, 'I also had an outside physician in the audience who was talking about health care issues because if they can hear it from a different perspective in terms of how they might go about achieving this.' He had also employed tactics such as 'good cop, bad cop' with himself as the 'bad' giving the nasty message and one of his managers as the 'good' being more consultative.

**Dan**

Dan was in charge of a project to do with the development of new business ideas from the divisions. As

with Robert's initiative, there was no formal mandate forcing businesses to engage with Dan's group. The project relied on individuals who were appointed as divisional coordinators being adequately released by their managers to take things forward. Dan knew this could be counter cultural, 'It's a very delicate balance because the divisions are all powerful. They have all the resources, we have no resource. So a lot of it is about persuasion really, saying to them "we are trying to make sure that across the whole of the company we have a good pipeline of ideas."' He developed a range of different ways to bring the coordinators together and to stay in contact with them, to create a group feel and draw them in, 'There was the monthly audio conference, and then two or three times a year actual physical get-togethers which also happened to overlap with other meetings . . . so at night you would have a dinner with everybody.'

Although Dan saw the face-to-face meetings as very important, he also used other methods, such as monthly audio conferences, one-to-one phone conversations, and many other mechanisms, 'We had other things like newsletters which we would send out to divisional coordinators but also to all of our local facilitators to put it on notice boards . . . this company here has just had a launch and these people . . . here are the prizes they have won. I would email them, either individually or collectively on a number of different issues and a lot of it was done by phone call and just personal contact . . . I would go and talk to them.' Dan recognised the 'balancing act' and that his point of persuasion was encouraging the organisation to 'think about the future' through a 'pipeline of ideas' and through such means 'drag the organisation away – even one degree – from its straight and narrow operational performance focus.'

Dan also recognised the divisional and silo-based nature of the organisation, and the need to generate a flow of activities that created alternative connections. He introduced different mechanisms which forced the coordinators to communicate with each other without him, 'We organised a roadshow recently, which basically is just five big black cases, it opens up into a big stand . . . and we deliberately have organised it so that it is like a hand me on type of activity . . . Gave everybody who was to receive it a timetable and said, right, get on with it, use whatever

**Illustration 6.1 (continued)**

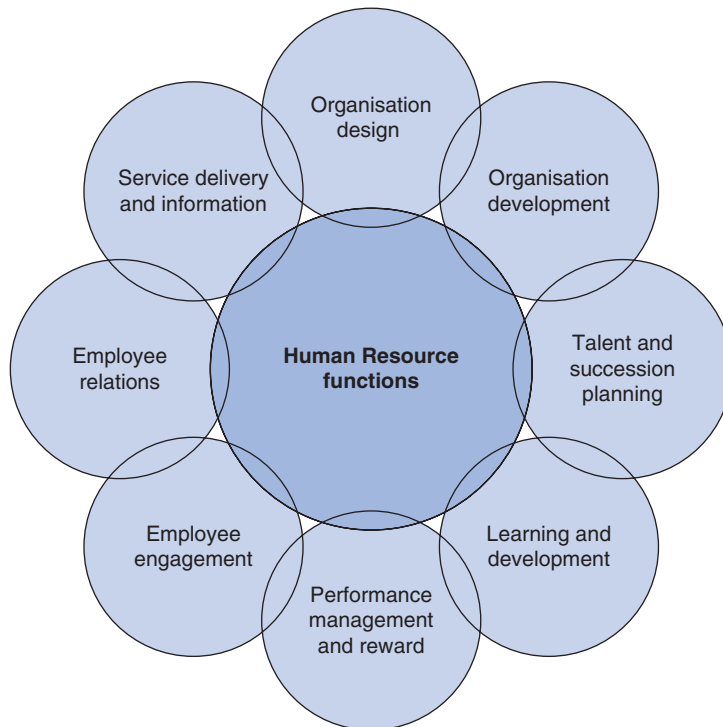
transport links you already have, just do it.' However, whenever Dan wanted someone to do something he was in competition with the divisions and their current priorities so he needed to use alternative ways to convince, 'Well I know the divisions are working hard to deliver today's results but we're trying to put some things in place for tomorrow . . . the power that you have is that you have the steering committee and some of the main board directors and senior guys from the divisions on that committee.' Owing to the

nature of the centre-division relationship, Dan had to persuade others to promote the innovation project, 'We had an "innovation summit" last year and invited about 100 people who were involved in the process and our CEO turned up and gave a speech and it spread like wildfire around the place. All of a sudden everyone comes back much more energised.'

*Source:* prepared by Julia Balogun, from research from the Change Management Consortium, Cass Business School, on *Managing Change Across Boundaries*, by Julia Balogun and Veronica Hope Hailey.

## 6.5 The role of human resource management: HR systems and processes, organisation development and learning & development

In addition to senior executive and middle managers, the HR function is crucial in creating and implementing the enabling conditions needed during the transition phase. HR professionals engage in a range of activities which influence individual and group behaviour within an organisation during times of change. We summarise some of these in Figure 6.7.



**Figure 6.7** Overview of HR functions

Research has shown that for transformational change to be successful and for firms to benefit financially from their change in strategy, there must be complementary change in HR strategies and systems.<sup>36</sup> Those firms who only implement partial change – for instance a shift in strategy with some structural change but no supporting HR systems, will fail to deliver significant improvement. HR systems and processes act as drivers for transformation and can be redesigned as part of the transition. In contrast, where they are left untouched, organisations may find that they become significant barriers to transformation. Illustration 6.2 below provides a discussion of the increasing importance of the role of HR in supporting change, emphasising how the HR function itself has had to change over the years.

## ILLUSTRATION 6.2

### The changing role of the HR function

In the context of increasing competitive pressures and higher demands placed on HR departments to deliver value, HRM is placing driving organisational performance and change at the core of its purpose. In their shift towards a strategic partnering role, HR functions are building their influence and credibility with business leaders. The financial crisis and the economic recession in particular stressed the need for HR to be more influential in driving future sustainable organisational performance and by taking the lead in implementing difficult strategic change. However, the conflict associated with balancing the competing interests of the business and the rest of the workforce is often downplayed. It has been suggested that now is the time for HR to see its role as the ‘conscience of the organisation’; however, it can be questioned whether it is possible for HR professionals to fulfil this alongside the desired business partnership.

A recent study looked at the role of HR in four public sector and 15 private sector organisations. The purpose of the study was to examine the changing roles of the HR function, how tensions in the role are perceived and managed by HR professionals, and how this affects their perceived trustworthiness with employees. Aligning the HR agenda with business strategy is a clear priority for HR professionals and other business leaders. HR functions are focusing on proactively preparing the organisation for the future and delivering a people agenda that drives growth and profitability:

Almost to be anticipating it, or to be really partnering with the business, not just always reacting to a business decision but being at that point where

they can contribute at the strategic level . . . Rather than being there to pick up the pieces.

Although tension between the roles of employee advocate and business partner has existed throughout the evolution of the HR profession, that tension is growing as the content of HR roles continues to increase and shift, and in the context of heightened competitive pressure and organisational change:

You’ve got to do both. You’ve got to connect to people in times of change on a real personal, emotional level; understand their concerns, fears, and to a degree hopes and aspirations too, and be able to align yourself with that and be able to still execute effectively.

It’s almost like standing on the fence but having your toe dipped one side towards the company . . . So if you can kind of keep that balance, you need to be very careful because you can’t fall on the side of the employee.

It can be argued that HR’s shift away from the traditional employee advocate role is problematic owing to long-held expectations of the function. Strategic partnership to some extent compromises the role of championing employees:

My role is to support and coach leaders in the business to manage their people in an effective, responsible, and optimal way. My role isn’t to look after people and act as a kind of independent referee, because I just take that as . . . It’s an anachronism, and it’s also planning for failure.

**Illustration 6.2 (continued)**

The fundamental shift appears to have created a mismatch in expectations. The adoption of the strategic partner role may result in employees feeling that they have lost an advocate, and not fully understanding the changed role. This may affect employees' perceptions of trustworthiness of the HR function, since their expectations are not being delivered:

The reason the trust thing is really important here is because I don't think that employees, in all cases, have recognised that shift happening. And there is a trust gap with HR, because employees still think that the role of HR is to be the independent voice of them against the managers. So when HR people start to behave like leaders – or start to behave as if they're part of the 'leadership gang' – as opposed to the 'in the middle', as it were, they get confused. They start to think, 'Hang on. That's different to my expectation, so

something's going on here I don't understand.' I think they feel that it's – they're being treated unfairly, because what they experience is different to their expectation.

Lower level employees' lack of exposure to HR's strategic activities, and the reduced visibility of HR within the workplace, may lead to alienation of the HR department:

I think the problem is when you go through so much change in the business, people then lose the clarity. They say, 'I know some parts of what HR can support me with, but not everything, so I don't really know the role of HR'.

*Source:* prepared by Louisa Baczor (2015), CIPD, London, with kind permission of Chartered Institute of Personnel and Development, London ([www.cipd.co.uk](http://www.cipd.co.uk)) and Louisa Baczor.

In Chapter 2 (Section 2.2.2) we discussed the example of Barclays, the British banking and financial services company, and its planned transformation from an organisation lacking in purpose beyond profitability and performance to one guided by strong values such as integrity and respect. A change of the HRM systems and processes, particularly the reward and performance evaluation processes, were at the heart of this transformation. Thus, understanding which systems and processes can and should be changed to deliver maximum benefits and in which phase of transition forms part of the crucial role HR plays during times of change.

### 6.5.1 HR systems and processes

The main components of a human resource system generally include the following.<sup>37</sup>

- *Recruitment and selection:* designing jobs, and attracting, selecting and appointing staff into the organisation. Recruitment is concerned with looking for people whom the organisation might wish to employ. It is to do with advertising vacancies and attracting people to apply to the organisation. Selection is the process by which an individual or individuals are chosen for appointment from the pool of individuals who have either applied through the recruitment process or been recommended for a position. Recruitment is the process that produces candidates. Selection is the sorting of the candidates, maybe through interviewing and profiling questionnaires, to identify the final appointments.
- *Performance evaluation:* measuring, monitoring and assessing staff performance, often against previously set objectives; assessing staff for rewards/bonuses, future training or future development; and defining future performance objectives.
- *Reward:* rewarding individuals or teams for their contribution, and motivating them to stay and/or perform. This includes both monetary and non-monetary forms of rewards.



- *Training*: inducting and training staff for either improved performance or as a part of general career development.
- *Development*: leadership, workforce and organisational development.
- *HR function and their partnership with line managers*: the role and structure of the HR function can be redesigned so that the function becomes a partner in the change process, delivering changes in policies and systems that fit the needs of the change process. Although the HR function redesigns systems and processes, it is line managers who actually implement many of these activities such as performance evaluation.

The different activities performed by an HR function can be divided into those designed to support more immediate organisational goals and those more geared to supporting longer-term strategic development of an organisation, see Figure 6.8. The former includes activities which are concerned with people resourcing and performance management: the recruitment and selection of staff, the setting of performance objectives and appraisal, determining reward and providing short-term skills and technical training. The latter includes organisational development, leadership development and workforce development. The separation of HR activities into these two cycles builds on the idea that short-term activities such as changing objectives for individuals or teams, or introduction new technical areas such as ‘lean processing’, can help deliver immediate shifts in business performance and/or a change in activities and behaviours on a day-to-day basis,<sup>38</sup> whereas other HR activities are much more concerned with building sustained competitive advantage through longer-term processes such as developing a cadre of executives capable of leading the organisation in the future.<sup>39</sup>

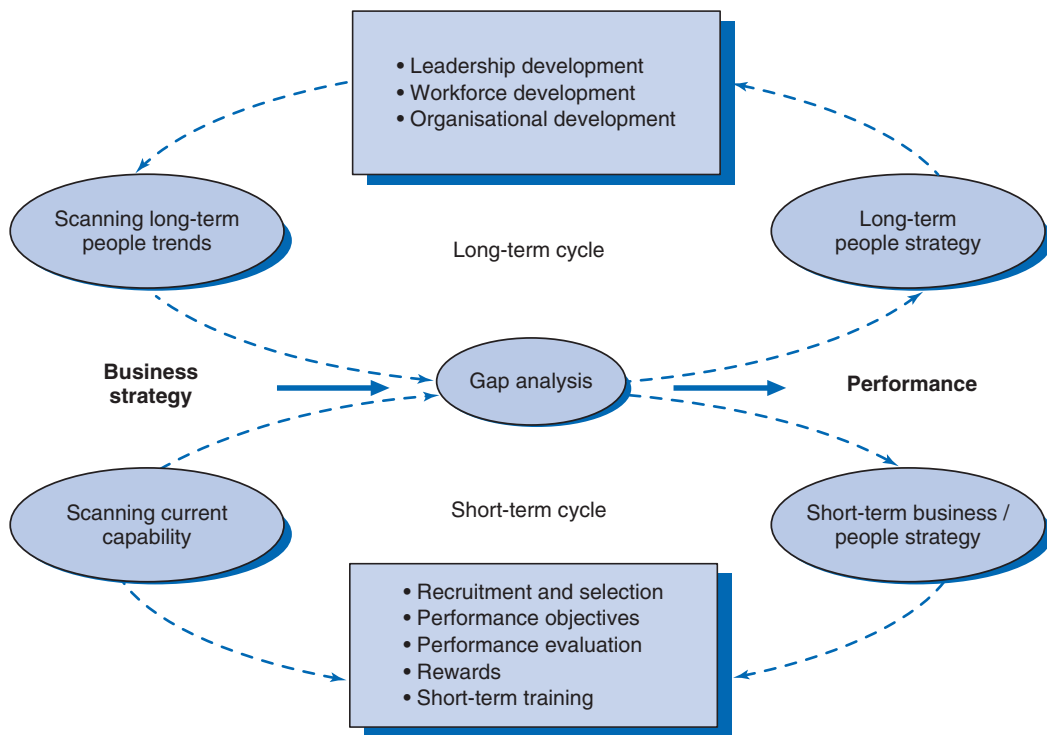


Figure 6.8 The people process map

Source: adapted from Gratton, L. et al. (1999) *Strategic Human Resource Management*, Oxford: Oxford University Press. Reproduced with permission.

### 6.5.2 Recruitment and selection

There are several ways in which *recruitment and selection* can be used by the HR function to support change. A common tactic in the mobilisation phase of change, often in circumstances of turnaround, is the announcement of redundancies. However, tactics can be more subtle. Changing the selection criteria used when recruiting people, such as seeking to attract a more change agile form of candidate, can send important messages to existing staff about the nature of competences and behaviours required by an organisation in the future. Sending messages about new competences and behaviours may lead long serving staff to look elsewhere rather than change their own behaviour. New selection criteria allow a new group of staff to join an organisation, thereby mobilising change through their arrival. Organisations can do this by changing the essential characteristics or type of person they are looking for in potential candidates. Equally the sort of selection techniques that are used may change over time.

### 6.5.3 Performance evaluation and rewards

The most common way to use *performance management systems* to implement change is by HR reshaping the *metrics* used to appraise someone's performance or by changing the performance objectives themselves. For example, to aid a shift in priorities for university lecturers to teaching and research, rather than just teaching, the objectives in the appraisal system leading to promotion or the determination of pay rises or bonuses may be altered to favour academics who seek to prioritise the publication of research in world class academic journals. Other symbolic changes in performance management systems can send messages about change such as increasing the frequency of the appraisal conversations or the format of the conversation itself.

*Reward* as a term covers the whole area of compensation and benefits and is a common lever to obtain changes in staff behaviour. Reward can encompass activities such as traditional perks such as bonuses or salary rises or non-monetary levers such as being sent on training courses as a bonus for particular performance or it might include extra holiday allowances or access to childcare. Promotion in return for demonstrating support and implementation of change is a common occurrence for middle and senior managers. The key thing is for the HR function to understand the different motivators amongst the various staff groups within the organisation and choose the appropriate mechanism to elicit different groups' commitment to change.

### 6.5.4 Training and development

Sometimes a key aspect of change programmes is the ability to rapidly develop new skills and competences within the management and workforce through *training and development*. The British-based provider of public services, Serco, faced public scrutiny over its trustworthiness which put its relationship with the UK government under strain. Following the departure of its CEO, Chris Hyman who stepped down in 2013, Serco announced a corporate renewal programme with the aim of re-establishing confidence in the organisation. One of the proposed measures included an overhaul of the induction, training and performance management practices, thereby positioning the HR function at the heart of the renewal programme. Following final approval from Serco's Executive Committee a new leadership model was launched in January 2014 by Ed Casey, interim CEO and Geoff Lloyd,

Group HR Director. The new model aligns managerial capability to the company's restated strategic priorities: Customer, Operational Excellence, and People and Culture. The capabilities are embedded into all short-term people practices: role profiles, selection interviewing, induction and orientation and the process for managing performance and reward schemes.<sup>40</sup>

Illustration 6.3 below describes how through various HR interventions and rethinking the role of HR, staff at Harrods were encouraged to unlearn some of their traditional ways of thinking which had been preserved for decades but had started to create barriers to staff retention.

### ILLUSTRATION 6.3

#### Out with the old, in with the new: changing HRM at Harrods

Harrods is a world-renowned, luxury department store located in Knightsbridge, London. Founded in 1849 by the tea merchant Charles Henry Harrod, it now employs 3,500 staff. One of its most prominent and recent owners, Mohamed-Al Fayed, sold the store in May 2010 to Qatar Holding. At the end of January 2011, Harrods registered a profit of £108m, up by 39 per cent from the previous year.

Harrods has a very traditional and 'subservient' culture. Many of its employees have long service with the organisation – some have been there for 25 or even 30 years. The company follows a hierarchical reporting structure, which clearly distinguishes between senior management and shop floor and many of its HR processes and practices had been preserved over a long time. When Harrods faced a loss of money owing to high employee turnover, particularly among the group of younger employees, the organisation struggled to respond creatively. This was the starting point for its HR and Retail Director, Sarah Andrews, to initiate a wide scale restructuring that would make HR more strategic and create a working culture that would align with more contemporary values.

In 2008, one of the first steps was to conduct an employee survey to capture people's opinions about working at Harrods. This was the first time in 10 years that this had been done. It helped Andrews to identify the most important concerns of her workforce such as the physical conditions for staff, address them swiftly and move to some of the fundamental challenges surrounding Harrods' traditional and subservient culture. This included a democratisation of

employee benefits which to date had been decided based on the level of hierarchy, profiling of existing staff members to create transparency on sales performance, encouraging line managers to take on responsibility for developing their employees and a change to its recruitment strategy. The HR function was restructured as well from each function having a supporting HR team to distinguishing between corporate specialists responsible for recruitment and development, a central services unit dealing with everyday HR issues as well as a core group of HR business partners focusing on strategy.

As much of this adaptation was quite a fundamental shift from Harrods' traditional way of working it was important for senior management to get the buy-in of their employees. Sarah Andrews had originally set up a project team consisting of internal and external specialists that would help with the planning and implementation of the change process. In order to get others on board and counter cynical behaviours, the project team took a collaborative approach and started a large consultation involving focus groups, interviews with heads of units and specific working groups that would assess existing HR processes. This was used to decide on the template for the restructure and enabled a fundamental change in how HR services were designed. To make the transition run smoothly, the project team also held conversations with line managers to educate them about the proposed changes and teach them how to hold briefings for their teams. In the final stages, quizzes and scenario-based exercises were conducted

**Illustration 6.3 (continued)**

in order to make sure that everyone in the HR team knew about their responsibilities.

The results of this change programme seem to be positive. Turnover has decreased and so has absenteeism. Communication between senior and junior staff has improved. Junior staff does not feel obliged to blindly follow the instructions of their superiors anymore, but feel empowered to challenge them. HR

has become more integrated into the organisation as well. For example, in the recent opening of the new Toy Kingdom, they participated in the planning process early on by helping to define staff profiles and desired qualities.

*Source:* adapted from from 'Set in great store', *People Management*, pp. 36–39 (Clegg, A.), with kind permission of Chartered Institute of Personnel and Development, London ([www.cipd.co.uk](http://www.cipd.co.uk)).

### 6.5.5 OD and L&D professionals

Organisational development (OD) and leadership and development (L&D) professionals play a key role in developing the systems and processes that support organisational transitions and the longer-term strategic development of an organisation.

#### 6.5.5.1 Leadership development

*Leadership development* is an umbrella term which captures all the various systems and processes that are designed by the HR function to deliver future leaders for an organisation. These processes encompass coaching, career management systems, talent management, development and assessment centres and mentoring. For example, Ford Retail, the largest Ford dealership in the world (see Section 4.5.1), needed to develop a shared leadership style and service culture to create a more unified identity and a common service brand. The HR Director consulted with the group's board members and top managers to redefine key leadership behaviours. These were consequently shared with 300 Ford retail managers. The directors and managers were then asked to undergo a 360-degree assessment prior to the redefinition of the leadership behaviours in order to develop greater self-awareness of their own leadership style. Further leadership development activities included training on coaching others and developing greater accountability. As a result, HR has helped to create a unified platform around the meaning of good leadership at Ford Retail.<sup>41</sup>

In sophisticated organisations a detailed and systematic competency profile will be drawn up to support the new behaviours desired by any change programme. These competences then inform the criteria used for the selection of future leaders. Advertising the change in the competency profile is one way the HR department can send powerful messages across managerial populations about what will deliver promotion or success in the new organisation. Illustration 6.4 below describes how BiBaCo BANK, a Dutch-based bank, used a range of leadership development practices in order to support a change of culture following the financial crisis.

#### 6.5.5.2 Workforce development

*Workforce development* is concerned with the long-term development of the right skills mix within the non-managerial workforce. This is sometimes referred to as *Learning and Development (L&D)*. It is focused on developing the appropriate skills, knowledge and technological know-how at all levels of the organisation. Often this development is achieved through

## ILLUSTRATION 6.4

### BIBACO BANK

BiBaCo BANK is a Dutch-based, state-owned bank, which is headquartered in Amsterdam. It has a long-standing history dating back several hundred years. By the end of 2012 the bank had undergone a combination of restructuring efforts, including acquisitions and break-ups.

Restoring customer confidence and trust is at the heart of the cultural change programme that the organisation is currently going through. It does so by emphasising behaviours that evidence integrity and morality, for the whole workforce as well as specifically for senior leaders. BiBaCo BANK's approach to renew its leadership development focuses around the key themes that it sees as central to delivering change within the organisation: strategic integration, internal development, self-development and inclusion. By doing so, it aims to become an employer of choice. The development of its top leaders is seen as crucial to this. To deliver its aim of inclusivity the bank has announced that it will focus on internal

development and unleashing the talent potential within all employees rather than taking an exclusionary approach. It has introduced a leadership quality guideline and is currently trying to improve the assessment of its leaders. There is greater emphasis on self-development, with one new practice being the introduction of a personal e-survey. The aim of this activity is to better identify individual development needs.

In addition, the bank has an annual talent review and a twice yearly performance review, an engagement survey and a performance management system, which puts 60 per cent of its assessment on the output of the individual but 40 per cent on the individual's attention to their own development, and attempts to change their behaviours in line with the values desired by the bank.

*Source:* based on personal research by Veronica Hope-Hailey and Stefanie Gustafsson.

partnerships with local colleges and in some cases universities. Although they are external providers, these bodies still play an important role in delivering sustainable long-term change. Workforce development involves a number of activities. First is the forecasting of the organisation's skill needs in the future and then the scanning of the external environment to assess how well those needs will be met by the future labour forces. The company also assesses how well its current internal skills development will be able to meet future needs. Putting this information together also helps the organisation to make decisions concerning whether it will create its own skill base for the future or partner with other institutions to help build a pool of skilled labour.

Importantly, today more and more organisations choose to employ a core and periphery workforce model, with those on the periphery on short-term contracts, or supplied by agencies or consultancies on a contract basis. There are questions over the extent to which this damages or enhances an organisation's change capability in the longer term. In the shorter term, having fewer people employed on permanent contracts makes for a more nimble and adaptable organisation, one which is able to respond immediately to market changes in a more agile manner. Yet, this has important implications particularly for the employees at the periphery, as organisations may not be able to influence their skill development as they do not have direct contractual responsibility over them.

Illustration 6.5 describes the findings of a recent research project conducted by the CIPD into the skills of L&D professionals. It shows how the role of the L&D professional is changing towards an internal consultant for change and its implications for the capabilities needed of people in these roles.

## ILLUSTRATION 6.5

### The changing roles and skills of Learning & Development professionals

A recent research project led by Ruth Stuart, Research Adviser for Learning & Development (L&D) at the CIPD, in collaboration with Towards Maturity, into the evolution and future of L&D, suggests that the skill requirements and roles of L&D professionals are undergoing a transition. Traditionally the L&D team would spend most of its time delivering training in a classroom setting. Yet, while time is still spent facilitating learning, the research findings suggest that the roles of L&D professionals are shifting towards a 'performance consultancy model', where the focus is on working with the organisation in order to identify and diagnose the root causes of development needs in order to then recommend the right solution. This means that L&D professionals are taking more of a consultancy role, while identifying the right content in order to support the organisation's development needs.

The research also suggests that the L&D function more broadly has become a partner in change as it is involved in change initiatives from the beginning in order to help the organisation move through the process of change. This is paired with a shift towards greater business alignment where L&D professionals seek to develop a better understanding of the organisation's needs and align their initiatives with its strategy.

Putting this into practice, one of the organisations that took part in the study introduced new L&D roles, designed to connect with the needs of the business and leverage synergies across global business units. The team are measured not by the number of training days completed, but by the extent to which they have impacted the business and facilitated behavioural change. This means they must consult with business leaders, and develop the right bespoke development which aligns with the organisational strategy.

The transitioning of L&D into more of an internal consultancy role has implications for the skills that are required of professionals in these roles.

This includes business and commercial awareness, a better understanding of the organisation's strategy, stakeholder engagement and the ability to influence the business and develop networks. Indeed, greater business and commercial awareness was identified as the most important capability of a successful L&D professional in the 2014 version of the CIPD's annual 'Learning and Development survey'. One particularly important capability that the study has identified as crucial going forward is the need to become more technologically savvy. Professionals in the field now have to be able to recommend massive open online courses (MOOCs) or decide on the best social media solution in order to enable learning.

In addition, L&D professionals also have to rethink existing ways of creating learning content. Traditionally, while more lengthy training courses and power point slides used to be the norm, there is now a requirement for more immediate, effective and short-term interventions which are set in virtual classrooms using online materials or using webinars to reach out across the wider organisation. This means that L&D professionals have to be capable of efficiently searching, finding and synergising the various sources and resources that are available to them internally and externally in order to find the most suitable solution that aligns with the needs of the business.

Finally, the transformation of their role means that analytical capability moves to the foreground. Being able to analyse the impact that different initiatives have on the business and being able to distinguish between what is working and what is not is a key skill that L&D professionals need to have. Yet, it is also one where Stuart and her colleagues identified the greatest gap and hence most need for development.

*Source:* written by Stefanie Gustafsson and Ruth Stuart, based on original research by Ruth Stuart, CIPD, 2015, L&D: evolving roles, enhancing skills, with kind permission of Chartered Institute of Personnel and Development, London ([www.cipd.co.uk](http://www.cipd.co.uk)) and Ruth Stuart.

### 6.5.3.3 Organisational development (OD)

*Organisational development* (OD) is the process through which the HR function seeks to develop the internal capacity to constantly renew itself through adaptation and incremental change. It does so by aligning the organisation's wider strategy and capability requirements with its people and processes. OD teams within the HR function work with the organisation as a whole, not just sets of individuals or teams. They are concerned with sustainable change and long-term organisational health. They help the organisation learn from past change programmes and seek, through that learning, to develop their change capability. OD:

- takes a longer-term perspective;
- takes a holistic perspective;
- is concerned with people;
- is concerned with organisational health;
- sees organisations as a set of interrelated systems and processes;
- works with the organisation as a whole, not just with individuals and their development;
- helps the organisation learn from past change and development, thereby increasing its change capability;
- focuses on culture and structure.

Very often OD specialists sit within the Chief Executive's office, providing a people perspective to the work done by business strategy units. Sometimes they sit within the HR department, and their remit may include responsibility for leadership development and workforce development. OD professionals fulfil a range of tasks and roles during the transition process. These can be grouped into the following: building a change-ready culture, resistance management, building engagement and monitoring progress.<sup>42</sup> Building a change-ready culture includes, among others, role-modelling change by setting an example and embracing change, anticipating obstacles and challenges, creating conditions of trust throughout the organisation and enacting a culture of learning and improvement by leading through example. Next, resistance management encompasses tasks such as providing support for the organisation during the time of change, identifying potential sources of resistance and making suggestions on how to overcome these. Building engagement describes actions such as the coordination and implementation of internal communication messages, advising senior leaders on how to create a change vision and narrative as well as measures for success. It may also involve fostering employee voice through engaging others in the development and implementation of a change programme as well as at times challenging senior leaders on the rationale for change. Finally, monitoring progress may include: collecting data that enables tracking of performance during change, evaluating the impact of change interventions in alignment with the organisation's strategy and monitoring progress against the organisation's strategic goals.

## Summary

This chapter has examined the different roles that senior executives and middle managers play as change agents, and the role of the HR function in facilitating change. It has focused on the following.

- The importance of new approaches to senior leadership in the 21st century, particularly focusing on the importance of senior leaders being able to ‘read’ their organisational contexts and ‘reshape’ them to be supportive of change. This often requires senior leaders to be ‘self-aware’ with a capability to use their own behaviours to reshape the context around them.
- Emphasising that in the wake of the financial crisis and economic recession, there are demands for leaders to adopt a less superman approach to leading, with instead a leadership style based more around a focus on establishing strong relationships with others in their organisations and emphasising their personal humanity and integrity.
- Middle managers as critical interpreters and communicators of the strategic intent of senior leaders and the need for them to work in partnership with the senior leaders. At the same time middle managers also listen to and represent the voice of non-managerial staff as they react and make sense of change. They occupy a Janusian role.
- The critical role of the HRM function in designing systems and processes that help change behaviour and reshape skills and attitudes to support the future vision of the organisation.

The penultimate chapter of this book, Chapter 7, will next focus on other aspects of enabling conditions for change that research shows to be important, including employee engagement, trust, voice and justice.

## Notes

- 1 See Goffee, R. and Jones, G. (2007) *Why Should Anyone be Led by You?*, Boston: Harvard Business School Press.
- 2 See Note 1.
- 3 See Note 1.
- 4 This was the approach taken by sponsors of the Change Management Consortium. See Balogun, J. and Hope-Hailey, V. (2009) *Final Report of the Change Management Consortium*, London: CASS Business School, City University London.
- 5 See Hope-Hailey, V., Gustafsson, S. and Abbey, G. (2014) *Cultivating Trustworthy Leaders*. London: CIPD. Hope-Hailey, V. and Gustafsson, S. (2014) *Experiencing Trustworthy Leadership*, London: CIPD.
- 6 See Uhl-Bien, M. (2006) ‘Relational leadership theory: Exploring the social processes of leadership and organizing’, *The Leadership Quarterly*, 17(6), pp. 654–676. Uhl-Bien, M. and Ospina, S.M. (2012) *Advancing Relational Leadership Research: A dialogue among perspectives*, Charlotte NC: Information Age.
- 7 See Hope-Hailey, V., Gustafsson, S. and Abbey, G. (2014) *Cultivating Trustworthy Leaders*, London: CIPD.
- 8 See Note 7.
- 9 See p. 433 in Barry, D., and Elmes, M. (1997) ‘Strategy retold: toward a narrative view of strategic discourse’, *Academy of Management Review*, 22(2), pp. 429–452.
- 10 Balogun, J. (2006) ‘Managing change: steering a course between intended strategies and unanticipated outcomes’, *Long Range Planning*, 39 (1), pp. 29–49. Ng, W. and De Cock, C. (2002) ‘Battle in the boardroom: A discursive perspective’, *Journal of Management Studies*, 39 (1), pp. 23–49.
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- 12 Barry, D. and Elmes, M. (1997) ‘Strategy retold: Toward a narrative view of strategic discourse’, *Academy of Management Review*, 22 (2), 429–52. See also MacAulay, D. K., Yue, A. R. and Thurlow, A. B. (2010) ‘Ghosts in the hallways: Unseen actors and organizational change’, *Journal of Change Management*, 10 (4), pp. 335–346.



- 13 Barry, D. and Elmes, M. (1997) 'Strategy retold: Toward a narrative view of strategic discourse', *Academy of Management Review*, 22 (2), pp. 429–452.
- 14 Rowland, D. and Higgs, M. (2008) *Sustaining Change: Leadership that Works*, Chichester: John Wiley & Sons.
- 15 See Pinsonneault, A. and Kraemer, K.L. (1997) 'Middle management downsizing: an empirical investigation of the impact of information technology', *Management Science*, 43 (5), pp. 659–679. Dopson, S. and R. Stewart (1990) 'What is happening to middle management?', *British Journal of Management*, 1, pp. 3–16. Dopson, S. and Stewart, R. (1992) 'The changing role of the middle manager in the United Kingdom', *International Studies of Management & Organization*, 22 (1), pp. 40–47.
- 16 Rouleau, L., Balogun, J. and Floyd, S. (2015) 'Strategy as practice research on middle managers strategy', In Golsorkhi, D., Rouleau, L., Seidl, D. and Vaara, E. (eds), *Cambridge Handbook of Strategy as Practice* (2nd edn), Cambridge: Cambridge University Press.
- 17 See Note 10.
- 18 See Wooldridge, B., Schmid, T. and Floyd, S. W. (2008) 'The middle management perspective on strategy process: contributions, synthesis, and future research', *Journal of Management*, 34 (6), pp. 1190–1221. Also see Balogun, J. (2003) 'From blaming the middle to harnessing its potential: Creating change intermediaries', *British Journal of Management*, 14 (1), pp. 69–84. Balogun, J. and Johnson, G. (2005) 'From intended strategy to unintended outcomes: The impact of change recipient sensemaking', *Organization Studies*, 26 (11), pp. 1573–1602. Huy, Q. N. (2002) 'Emotional balancing of organizational continuity and radical change: the contribution of middle managers', *Administrative Science Quarterly*, 47, pp. 31–69. Huy, Q. N. (2011) 'How middle managers' group-focus emotions and social identities influence strategy implementation', *Strategic Management Journal*, 32 (13), pp. 1387–1410.
- 19 See Note 4.
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## WORK ASSIGNMENTS

- 6.1 Consider the role of senior executives during the transition process. Can you find examples of a successful leader discussed in the recent media who has adopted a relational approach?
- 6.2 Critically evaluate the notion that middle managers need to have 'discursive competence' when managing change. Why is this important? And why may this be a challenge for some middle managers?
- 6.3 Using Figure 6.6, map exactly how Robert and Dan in Illustration 6.1 exhibit discursive competence.
- 6.4 Consider the updated assumptions about the change management relationship between senior and middle managers in Table 6.2. What does this mean for the selection, development and reward of middle managers (linking to HRM systems and procedures)?
- 6.5 Using practitioner journals or newspapers, find two examples of how HR interventions have helped to deliver change. Evaluate how successful they have been.
- 6.6 Look at the various executive development programmes offered by some of the university business schools in your country. Which programmes are concerned with leadership development? How well do they equip leaders to manage change?

## Transition management: employee engagement, trust, justice and voice

### 7.1 Introduction

Chapter 6 has explained how change occurs in a dynamic interaction between corporate/senior executives, middle managers and the rest of the organisation, and that certain enabling conditions are required for this dynamic relationship to work. Chapter 6 has discussed the need to understand the role of senior executives and middle managers and the relationships they build as enabling conditions for change. In this penultimate chapter of the book we turn our attention to the role of a positive organisational climate in facilitating these enabling conditions. We propose that change leaders, both senior managers and middle managers, need to pay attention to this and seek to foster it through their leadership style and behaviours. Important aspects of climate include employee engagement, trust, employee voice and justice (see Figure 7.1). These aspects of climate also point to the

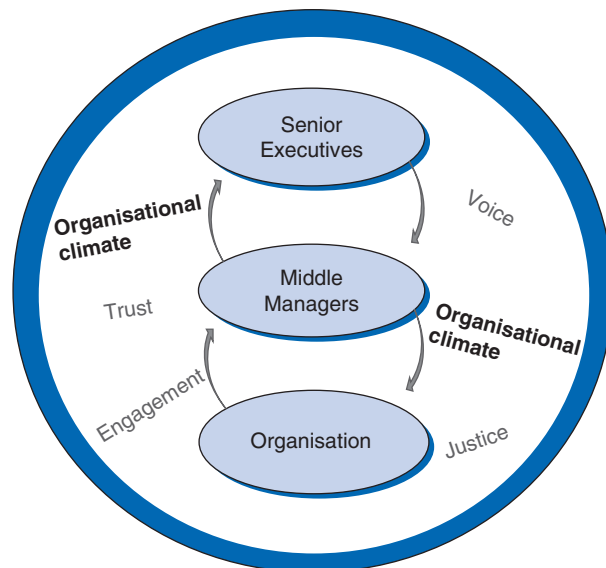


Figure 7.1 Enabling conditions for change

need for leaders of change to reconceive of long-standing concepts that have traditionally underpinned notions of change in organisations, such as resistance.

This chapter will consider:

- the concept of organisational climate as an enabling condition for change and how it can be analysed;
- building employee engagement as a means of increasing readiness for change;
- enabling change through developing organisational trust, fostering employee voice and perceptions of organisational justice;
- reconceiving traditional images of change management, such as employee resistance during change.

## 7.2 Organisational climate

Organisational climate is different from culture. Organisational culture encompasses the norms and values within any entity which are communicated and enacted through the various dimensions of the cultural web (see Chapter 2), whereas climate is about the orientation of the workforce towards their work and their employer.<sup>1</sup> We can think of climate as literally being an eco-system of an organisation. The question is whether the system is hostile or welcoming to the proposed change. For instance, does the workforce have high levels of trust in senior management? Are they highly motivated in their work? Do employees feel their employer is bothered about their well-being, their work–life balance?

Research has shown that before the change is announced, it is important to gauge whether there is a positive climate within the organisation.<sup>2</sup> Most organisations who measure aspects of climate do so through their employee attitude surveys run at different levels of frequency according to preference: twice yearly, yearly or biannually. Some are very long surveys incorporating lots of questions which they measure occasionally while other companies have reduced them to just a few which they might measure more frequently. Illustration 7.1 describes how Gallup, the US-based polling and research organisation, offers such a shorter set of questions which it uses to measure employee attitudes globally across 189 countries.

Some organisations regard the maintenance of a positive climate at all times as advantageous for their ability to rapidly respond to change. Just like a field that is constantly cultivated to maintain its fertility for any crops or vegetables that might be planted at any time, so a constant nurturing of a certain climate increases an organisation's likelihood of implementing successful change programmes. This is sometimes called agility or fitness for change.<sup>3</sup> The concept of agility can be traced back to an interview with Jack Welch, who was famous for his turn-around and transformation of General Electric when he was CEO in the 1980s. In the interview he suggested that it was imperative for an organisation to focus on 'speed, agility and simplicity'.<sup>4</sup> An example of an organisation which has identified agility as an important part of their organisational vision and values is Spain's largest bank, Santander. Summarised under the umbrella concept of 'dynamism', their values read as follows: 'Initiative and agility to identify and exploit business opportunities before the competition and flexibility to adapt to changes in the market'.<sup>5</sup> Organisations such as these regard the maintenance of an on-going capability to change as one of their key sources of competitive advantage.

## ILLUSTRATION 7.1

### The Gallup survey

Gallup, Inc. was founded in 1935 by George Gallup. Its headquarters are based in Washington, D.C. and it operates 30 offices globally. The company mainly provides a combination of market research and consulting services to its clients, many of which are Fortune 500 companies. In addition, it conducts a range of national and international public opinion polls. One of them is the Q12 survey which it uses to measure employee attitudes particularly linked to engagement. It includes the following questions (which should be answered with either 'true' or 'false'):

- I know what is expected of me at work.
- I have the materials and equipment I need to do my work right.
- At work, I have the opportunity to do what I do best every day.
- In the past seven days, I have received recognition or praise for good work.
- My supervisor, or someone at work, seems to care about me as a person.
- There is someone at work who encourages my development.
- At work, my opinions seem to count.
- The mission or purpose of my company makes me feel my job is important.
- My associates or fellow employees are committed to doing quality work.
- I have a best friend at work.
- In the past six months, someone at work has talked to me about my progress.
- In the past year, I have had opportunities at work to learn and grow.

Source: adapted from Mochari, I. (2014) '12 Questions to gauge employee engagement', <http://www.inc.com/the-build-network/12-questions-to-gauge-employee-engagement.html>. Also see Gallup (2014) 'Q 12 Employee Engagement', <http://www.gallup.com/services/169328/q12-employee-engagement.aspx>. Accessed February 2015.

Other organisations might find that, as a result of analysing climate, they need to enhance certain climatic features during transition in order to ensure that people are able and willing to adopt change. Which change levers are deployed and when, may be informed by an understanding of climate. If an organisation has extremely high perceptions of unfairness amongst employees about reward packages, that organisation might choose to use reward as an incentive to adopt the proposed change but also take care to demonstrate the fairness and *justice* of the new reward packages. Similarly if an organisation's senior executives have not previously demonstrated a relational leadership style, levels of *trust* might be low and need to be developed. Alternatively if an organisation has a tradition of constantly top-down/one-way communication, there is an opportunity to do things differently and therefore a means to emphasise how much the organisation is changing. For instance, during transition the change agent might deploy numerous opportunities for employees to express their opinions about the change through surveys, workshops, focus groups, town hall meetings, in which the senior management demonstrate their preparedness to *listen* to the ideas and views of the workforce. Upwards communication from the lowest levels to the top of the organisation is called *employee voice*. We discuss this below.

Whether an organisation chooses to maintain a change-receptive climate on a persistent basis or as a special measure during organisational transition, climate shapes an organisation's receptivity and capability to manage change. Thus in the next sections we discuss the different elements of climate in more depth, starting with employee engagement and moving on to trust, employee voice and justice.

## 7.3 Employee engagement

Employee engagement has emerged as a new concern in the change literature and amongst practitioners. It has been given legitimacy by government bodies supporting the importance of the practice. For instance, in the UK both the Labour government in the 2000s and more recently the 2010–2015 Coalition government have commissioned reports and set up task forces in order to promote engagement within the UK workforce. Both the government's concern for and practitioner interest in this idea stem from a wish to boost productivity and performance. Employee engagement is believed to have a contribution to make in this endeavour.

However, engagement is viewed as a controversial term by some academics. The difficulties arise from the 'smorgasbord' nature of the concept as it is used at the moment. 'Employee engagement' means different things in practical terms to different organisations and within different management consultancies. Its drivers and outcome measures in one organisation might be very different from what are identified as key drivers and outcomes in another.

This makes it difficult to establish a shared definition of engagement. In turn this lack of a shared definition prevents systematic measurement of the link between engagement and organisational performance or change receptivity. In some ways the interest in employee engagement might be seen as no more than a relabelling of more traditional managerial concerns such as employee relations. Illustration 7.2 presents a discussion of the challenges of defining employee engagement, provided by a senior academic in the field as part of the second MacLeod review. The MacLeod report is an official, government supported report prepared on the topic of employee engagement carrying the umbrella title of 'Engaging for success'.<sup>6</sup>

### ILLUSTRATION 7.2

#### Engagement special: Veronica Hope-Hailey on defining engagement

From an academic perspective, the concept of 'engagement' is a little tricky. Employee engagement is used as an umbrella term covering a variety of inputs and outcomes. In fact, it's a bit like a smorgasbord: a meal comprising multiple dishes of foods with no fixed rules as to which ones need to be included. Some organisations highlight the importance of certain drivers of employee engagement – for example, trust or justice or line management support – whereas others might emphasise meaningful work, job satisfaction, understanding of the general business strategy of the organisation and so on.

The breadth of the engagement concept makes the term difficult to work with for some of my academic colleagues. They ask 'How can you conduct useful, quantifiable research around the link between engagement and performance when we are all talking about different things within one broad heading?' And many

of us might conclude employee engagement has just replaced the old idea of employee relations, and is a twenty-first-century label for a timeless management problem: how to get people to give their best at work.

Yet others argue the strength of engagement as an ideal lies precisely in its universal appeal for more management attention to be given to workplace relations. With trends following the 2008 financial crisis like the end of deference to senior managers, the breakdown of trust and the competitive threat from workforces in Asia, we can't afford to tolerate indifferent people management. The decline of trade unions means that managers have to reach out and tackle these issues directly for themselves. A new name gives fresh impetus to solving an old problem.

That's why David MacLeod and Nita Clarke stress that Engage for Success, founded on their 2009

**Illustration 7.2 (continued)**

report *Engaging for Success: Enhancing Performance through Employee Engagement*, is a movement. This movement seeks to bring the agenda of workplace relations centre stage. Its supporters have generated some practical management thinking that can help UK enterprises develop their people management capability. The movement must be answering a need, or it would not result in so many self-managed groups meeting around the country.

But exactly what management action should an organisation take? Certainly, there are a few universal areas: attention to employee voice, developing a compelling strategic narrative, ensuring line manager support and paying attention to the integrity of organisations and leaders.

However, I know from my own research that what motivates an R&D scientist to deliver high performance is very different from the actions that will motivate a call centre worker. Also, some organisations prioritise the generation of 'work engagement' – being totally absorbed in one's job – whereas others battling

to retain staff are more concerned with 'organisation engagement', affective commitment to an employer. And from research we have conducted in the UK, the Netherlands, India and China, we know the drivers for engagement of people working for the same corporations will vary according to the country they're in and even the region of that country.

So, context and culture matter. It all depends on what you are trying to achieve with your strategy. To lift performance, HR and business managers have to move away from buying into simple universal recipes, and move towards methodologies that seek to understand the needs of different groups in a workforce at different times and in different places. Developing employee engagement is not a science – it's a judgement call.

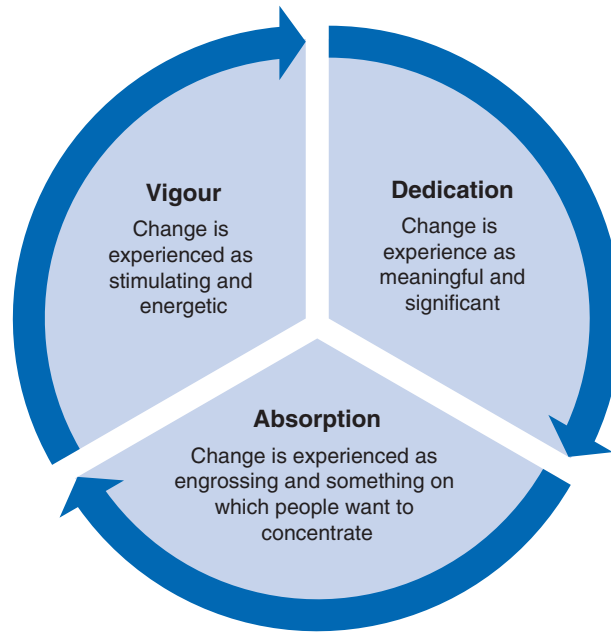
*Source:* adapted from Engagement special: Veronica Hope-Hailey on defining engagement', *HR Magazine* (Hope-Hailey, V. 2013), [www.hrmagazine.co.uk/hr/features/1076863/engagement-special-veronica-hope-hailey-defining-engagement](http://www.hrmagazine.co.uk/hr/features/1076863/engagement-special-veronica-hope-hailey-defining-engagement). This article was published in *HR magazine*, 09/04/2013. © MA Business & Leisure Limited 2015.

Even though employee engagement is a challenging concept to pin-point exactly, there are some key characteristics defining engagement that scholars agree on.<sup>7</sup> These include:

- *vigour*, when work is experienced as stimulating and employees want to devote time and effort to it;
- *dedication*, when work is perceived to be meaningful and significant;
- *absorption*, when employees want to fully concentrate on their work and get immersed in it.

These characteristics can be translated directly into the design and implementation of the change programme in order for it to be experienced as engaging (see Figure 7.2).

Put simply then, for the purposes of understanding its contribution to the practice of management, engagement is about employers trying to secure extra or discretionary effort from employees beyond the narrow definitions of employee activity detailed in either job descriptions or employment contracts. It is about employees choosing to give more energy in a given situation, of working beyond contract and displaying organisational citizenship. Engagement links to change management since a more engaged workforce will be better prepared to implement and experience change in a positive manner. In this sense employee engagement is strongly linked to the concept of 'readiness' (Chapter 4). It suggests that the higher the levels of employee engagement, the



**Figure 7.2** Designing and implementing engaging change

higher the levels of readiness for organisational change, since reactions will be more trusting and less negative. Whereas in negative organisational climates, with disengaged employees, resistance to change may be related to employees expressing criticism of their experience of employment as a whole – they perhaps dislike what has happened to the organisation in recent years, how their jobs have changed. If the organisation has not addressed the source of this negative feeling, then employees might find that the one way of expressing their disgruntlement is to fight and resist all subsequent change programmes. Negative factors in the general organisational climate spill over and contaminate the change management process. Hence, it seems paramount that change agents acknowledge employee engagement as a crucial component of an organisation's climate and the transition process.

The earlier MacLeod review identified four components that enhance employee engagement (although the evidence for their effectiveness is less clear). The four features are:

- having engaging line managers who facilitate and empower rather than control and restrict their staff;
- managers and organisations displaying integrity: that is, behaviour that is consistent with the organisation's values;
- an overarching strategic narrative or Big Picture provided by the leadership of the organisation;
- an effective and empowered employee voice where employees are listened to and allowed to challenge where it is appropriate.



Illustration 7.3 provides two examples of organisations where engagement has played a key role in achieving strategic change. The first one, BAE Systems, emphasises the importance of giving employees a space where their voice is heard and facilitating reciprocal communication between different interest groups in order to foster engagement during change in production processes. The second one of the Olympic Park shows how the four components identified by the MacLeod review may be applied in a practical change scenario delivering tangible results.

Many academics cite a wealth of evidence to link engagement with outcomes positive for business performance.<sup>8</sup> These include commitment to one's work outcomes and organisation, lower turnover intentions and increased job satisfaction. Others have shown how engagement can have positive effects on employee health, increase personal initiative in one's role and improve job performance. One example of an organisation that has successfully built high employee engagement is Freshfields Bruckhaus Deringer, the international law firm. They have identified employee engagement to be a key lever to operate successfully in an ever changing environment. In order to enable their associates to work more flexibility, creatively and with enthusiasm and energy, they introduced two engagement activities in its London office.

### ILLUSTRATION 7.3

#### Engagement in practice

##### BAE Systems

BAE Systems is a global defence, security and aerospace company, headquartered in London, with home markets in the UK, US, Australia, India and Saudi Arabia. In order to address previously failed attempts to modernise production processes within its Military Aircraft and Information (MA&I) division and improve relationships with the unions which had proven unproductive, in 2009 it introduced a new scheme. Described by members of the organisation as a 'conversation' rather than a 'negation', it brought together groups of union negotiators and managers to form an on-going activity that would foster communication. As a result of this scheme, by Autumn 2011 production levels were improved and costs saved. A total of more than £26million of improvement opportunities were identified by shop floor staff and building hours for aircrafts could be reduced by more than originally required. For the Typhoon fighter this even equalled a reduction of 25 per cent in build hours.

##### Olympic Park

The case of the Olympic Delivery Authority, the public body responsible for delivering the venues and infrastructure for the 2012 Summer Olympic Games

in London and their use afterwards, shows how employee engagement can play an important role in improving health and safety. By June 2011, their accident frequency rate was with 0.17 per 100,000 hours worked less than half of the average of the construction industry. This was enabled by four distinct elements.

- *Having a strategic narrative*, defined collectively by the ODA and Delivery Partner (DP) as a clear vision statement and purpose, bringing safety to the 'forefront of thinking and concern';
- *Engaging managers*, by for example encouraging project leaders to develop a culture of collaboration, learning, challenge and mutual responsibility;
- *Employee voice*, achieving effective vertical communication between upper and lower levels of management, enabled by the collection, review and analysis of relevant data on health and safety;
- *Organisational integrity*, encourage work shut-downs if the required standards were not achieved, which signalled the importance of this measure.

Source: adapted from Rayton, B., Dodge, R. and D'Analeze, G. (2012) *The evidence*, <http://www.engageforsuccess.org/wp-content/uploads/2012/09/The-Evidence.pdf>. Accessed February 2015.

The first one was the set-up of an Associate Engagement Group (AEG). This activity runs annually and functions as a link between associates and partners while giving associates a platform to voice their opinions. As a second initiative the firm conducted a two-week programme around engagement under the name 'London Festival'. The purpose of this activity was to create awareness of the different departments, their roles and tasks, in the organisation in an informal way. Members from across the organisation including legal teams and the business service presented on the various new developments in their areas. In the year following these initiatives, the firm performed at a new financial high. Although a direct link is difficult to establish quantitatively, Freshfields recognises that the initiatives enabled the development of new skills and helped to increase motivation which are driving positive results.<sup>9</sup>

In thinking about engagement's relevance for change it is perhaps worth using the distinction between work or job engagement and organisational engagement. Some employee engagement may be about working harder within one's job, what the academic literature defines as *work* engagement. A second form of engagement is *organisational* engagement where the employee gives extra effort for the sake and benefit of the organisation as a whole. Within one organisation some staff groups might be much more motivated by their jobs than by the organisation who is their employer. Rightly or wrongly some people feel more strongly about their profession or vocation than the organisation in which they work. Examples of such people might be junior hospital doctors, some of whom feel more passionately about their particular medical speciality than about the hospital in which they are placed. This is because as a junior doctor you are highly dependent on developing your competence within whatever your chosen field is in order to advance your career eventually towards being a consultant. Or as a senior or junior doctor or nurse, you might feel much more motivated by delivering the highest level of patient care and much less motivated by any particular strategic change initiative that your hospital management team might be trying to implement. In this scenario change agents would be well advised to help the medical professionals through the change transition by emphasising the benefits of the change to medical practice or research or patient care.

Alternatively some people feel much more motivated by their employing organisation and less motivated by the specific job they are doing within that organisation. They identify with the organisation and all that it stands for or perhaps its particular leaders. An example of this would be the Day Lewis Pharmacy Group. We have already in Chapter 6 cited Kirit Patel, the founder of this family-owned business, as an example of a senior manager who exercises a relational leadership style. As a result he and the Patel family are well loved by staff. Although some of the pharmacists might be motivated by the job they do, the profession they are in, the majority of staff at Day Lewis are motivated by working for the organisation itself and for the Patel family as leaders. In this organisation the counter staff in the shops or the head office employees are more likely to be persuaded to go through a transition by the Patel family successfully demonstrating why it is good for Day Lewis as a whole, rather than appealing to the self-interest of individuals and their specific jobs.<sup>10</sup>

## 7.4 Trust

Trust between various stakeholder groups within organisations has been shown to be a critical component of successful change.<sup>11</sup> We referred to trust in Chapter 4, where we identified it as a form of change capacity (Section 4.7.1), something that when it exists can

be tapped into as a resource for change. In this section we deepen our discussion on trust, explaining why it is a key component of an organisation's climate, and its important role in change programmes.

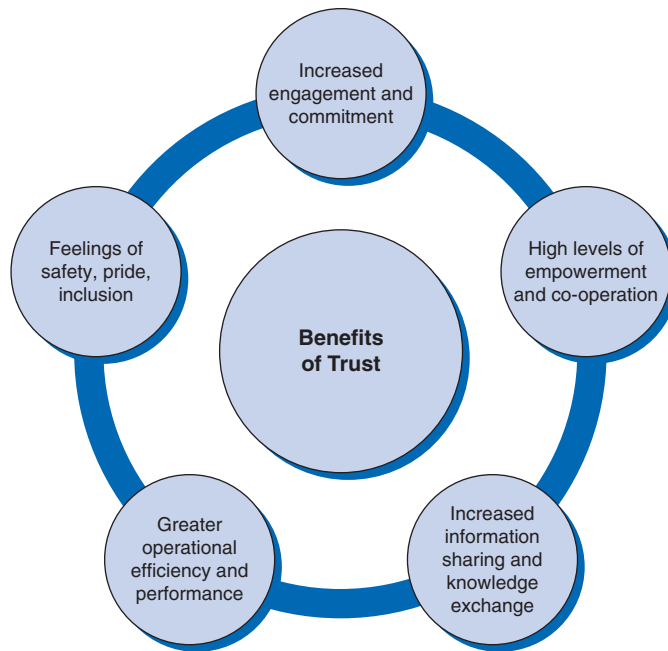
The role of trust in organisational change has received a great deal of attention since the financial crisis of 2008 and the subsequent economic recession. The competence of senior managers of international banks has been the subject of intense scrutiny and has been called into question by governments, the general public and regulatory authorities. By comparison, the fact that some banks and their leaders came through the crisis unscathed has attracted little press attention. However, the persistent questioning of the trustworthiness of industry and financial leaders, politicians and media stars, is perhaps symptomatic of the destabilising effect that the banking crisis and the consequent economic recession has had upon the public psyche. Since 2008 people have been made to feel less certain, more unsure and anxious, as taken-for-granted assumptions about both iconic institutions and individuals have been dashed.

Trust is defined as a psychological state where people are willing to take risks, to make changes in their behaviour or attitudes, because they believe that the person asking them to take that risk is fundamentally concerned about them and displays goodwill towards them on a predictable basis. Major commentators have described it as: 'A psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another'.<sup>12</sup>

In change terms that means it is about the relationship between those who are being asked to participate in the change, to make a personal transition, and those who are doing the asking, whether they are senior managers or local managers. As it is a relationship, it cannot be manufactured suddenly or bought like a commodity from a consultant. It builds up over time but can be lost very rapidly when there is a violation of trust. In change terms then this makes trust a very valuable asset. If senior managers or line managers are trusted by the workforce, those employees are much more likely to embrace change more willingly than those employees within a low trust culture.<sup>13</sup> The need for leaders and organisations in general to demonstrate their trustworthiness more overtly and purposefully is because people need to see those demonstrations in order to feel sufficiently certain to take the first few steps towards changing their attitudes and behaviours.

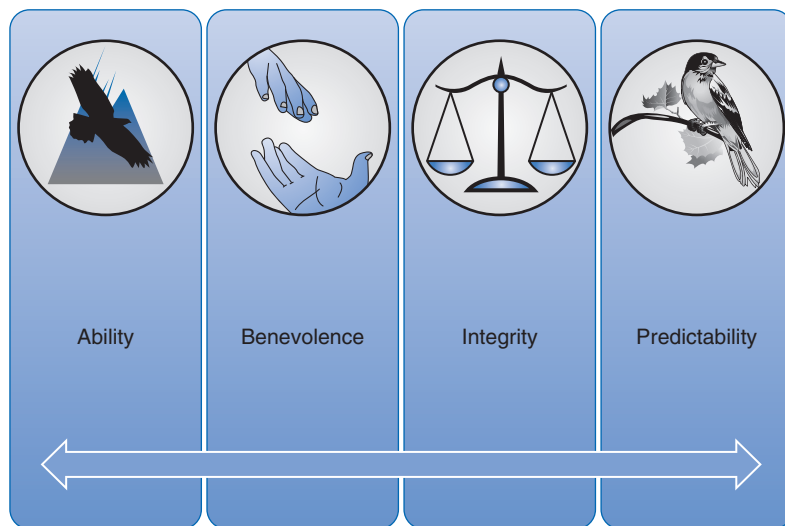
We also know that high levels of trust will deliver the enabling conditions in which innovation, problem solving, knowledge sharing and engagement will thrive within organisations.<sup>14</sup> In contrast, too much distrust creates stasis, a reluctance to change, or, at worst, dysfunction. To enable people to move to a state where they are willing to experiment or change, to take personal risks and start moving through transition, it may be necessary to increase people's propensity to trust.<sup>15</sup> Figure 7.3 summarises the key benefits of high trust relations.

Trustworthiness of either an individual leader or an organisation is assessed through four criteria: ability, benevolence, integrity and predictability (see Figure 7.4). The first, 'ability', is a measure of whether the trustor thinks the trustee is competent or able to do their job or fulfil their organisational purpose. The second, 'benevolence', is about the extent to which the trustors detect a concern in the trustee for the welfare of others beyond their own immediate personal concerns. 'Others' here might include employees or customers or the local community or society. Put simply, is a leader self-serving or bothered about others? The third criterion used to gauge trustworthiness is 'integrity'. Here people want to see whether the organisation or individual leader or manager has a moral code or set of values they identify with. Is the leader someone who adheres to principles of fairness or honesty while avoiding hypocrisy? The last criterion used by people to assess trustworthiness is 'predictability'. Can employees



**Figure 7.3** The benefits of trust

see a consistent pattern of behaviour in the organisation or leader in the decisions they take, the values they uphold and the attitudes they adopt? If a leader says one thing one day to suggest they are highly trustworthy but behaves in a contrary manner the next day, then employees will not detect a predictable pattern of values governing their decisions and that



**Figure 7.4** Drivers of trustworthiness

Source: adapted from Dietz, G. and Den Hartog, D. N. (2006) 'Measuring trust inside organisations', *Personnel Review*, 35 (5), pp. 557–588. Mayer, R. C. and Davis, J. H. (1999) 'The effect of the performance appraisal system on trust for management: A field quasi-experiment', *Journal of Applied Psychology*, 84 (1), pp. 123–136.

will undermine their confidence to trust that person. Leaders who want to be trusted need to demonstrate these characteristics consistently and openly to their followers over time.

An example of such a leader is Tim Davie, CEO of BBC Worldwide. BBC Worldwide is the commercial arm of the BBC. It is known for formats such as the *Sherlock Holmes* TV series and *Top Gear*, both are popular TV programmes in the UK which attract an international audience. As a subsidiary of the BBC, it supports its public service mission while maximising financial gain in a way that is consistent with the BBC's values. One of these values is trust, which is at the 'foundation of the BBC'. Recent restructuring and the shift from divisional to global lines of business has highlighted the importance of trust relations between the regions and the corporate centre in London, as well as the need for its leaders to make decisions that consider the wider good of the organisation. In the context of this change programme, Tim Davie was perceived to be highly trustworthy. Employees at the BBC frequently emphasised Davie's openness with his employees, a sign of integrity and benevolence, which in turn stimulated their engagement with the proposed change programme.<sup>16</sup>

Leaders and managers at all levels can be assessed against the four characteristics prior to any change programme. In addition, the characteristics of the workforce are also important. For example, is there a propensity to trust amongst the employees before the change programme starts? Are the workforce disposed to think the best of leaders, to trust their judgement, even if negative change such as downsizing is proposed by those leaders? In the good times, before change was contemplated, has the organisation invested in building good trustworthy relationships between different groups? Have they valued and developed the trust that may exist between customers or users and organisations, between colleagues, between line managers and employees and between senior managers and the rest of the organisation? Put simply, have they developed a trust fund within the organisation? Have they banked goodwill and a propensity to trust amongst customers and employees even when it was of no immediate use?<sup>17</sup>

In previous chapters we have referred to the UK retailer John Lewis and the implementation of its first redundancy programme in its history (see Section 4.2.1). The way the organisation managed the change was by, for example, running in-depth briefings, communicating openly and emphasising how the restructuring was necessary to ensure the organisation's profitability and success into the future. The very name of the programme, *Branch of the Future*, reinforced the importance of the organisation in the perceptions of employees. In the course of research about the change programme, one employee commented: 'I've been here 19 years. . . . And in the time I've been here I trust the company more now than I did when I first started because I think we are a more streetwise business.' Remarkably, as a result of the trust fund they had built up through years of trustworthy stewardship of their business, and the choices made by senior managers about the implementation of that change programme, trust levels were actually maintained or in some areas rose. The change programme itself was highly successful – achieving its change outcomes while retaining a highly committed and motivated workforce at the same time. Owing to the large trust fund in John Lewis, although the staff did not like the announcement of the redundancy programme, they interpreted that announcement through a lens of high trust. They believed that their leaders were both able to predict what was best for the business and at the same time be benevolent towards them as a workforce. So, although the news about change was negative, the John Lewis Partnership workforce gave the senior management the 'benefit of the doubt'. Their belief in the basic integrity and benevolence of the senior team overrode other concerns and allowed them to engage with the implementation of the change in a more positive manner.<sup>18</sup> In Illustration 7.4 we

## ILLUSTRATION 7.4

## John Lewis Partnership: Changing behaviours around change in a healthy way

The John Lewis Partnership<sup>a</sup> (JLP) consists of two main trading brands: John Lewis (total of 43 shops and 10 smaller 'at home' shops across the UK as well as an online business) and Waitrose supermarkets (over 320 stores). Although the major restructuring programme linked to the *Branch of the Future* initiative had been successful, over the last years, changes in the external environment such as shifts in customer demands, new processes and new technologies made it apparent that a long-term, complex and integrated change programme would be required in order to remain competitive in the long haul. The Organisation Effectiveness (OE) team at JLP recognised that this would only be achievable by recognising the organisation's legacy embedded in the principles of partnership and its mutual trust relations.

Prior partner opinion surveys had shown that emotional aspects of change were an important part of any change experience. Given JLP's purpose in creating satisfactory and worthwhile places to work, linked to their central governing mechanism 'Principle 1', this feedback would need to be recognised in any change programme.<sup>b</sup>

Knowing that partner voice was crucial, the OE team conducted an appreciative inquiry<sup>c</sup> with partners across the business including the organisation's leadership team and its Partnership Council as well as those previously involved and impacted by change. The purpose was specifically to collect stories about good change experiences and the factors that had been supporting this in order to create a positive understanding around change. The appreciative inquiry was initially informed by desk research using theoretical models in order to identify key drivers for change.

The information that was accumulated through this collaborative approach then resulted in the proposition of a change framework built on five key elements. These include:

- clarity and communication;
- leadership;
- partner;
- support;
- a culture of trust, choice and involvement.

Under each of these headings several key characteristics are defined. For example the heading 'leadership' describes the need for leaders to demonstrate commitment to change and to value individuals throughout the process as well as enabling partners to grow throughout the process by supporting their own self-reflections. At the same time, all pieces of change would be planned and assessed against the elements of trust, choice and involvement (TCI), seeking to optimise all three.

The OE team grouped these various elements under the umbrella of 'healthy change'. Approaching and implementing change in a 'healthy way' has several positive effects. First, it creates a collaborative platform for change where members of the organisation can make their voice heard and change agents as a result increase buy-in. By highlighting people's experience of change, it also allowed JLP to link back to its values around trust embedded within 'Principle 1', while at the same time making a case for change. The sense of disruption of existing ways of working and thinking that is often the aim of behavioural change programmes can thus be created in a more subtle and caring way. In addition, developing a healthy approach to change has enabled 'change shapers' to develop a common language around how change should be conducted in JLP. This is a language that emphasises and embeds the positive aspects of change while at the same time creates a framework that helps to modify existing behaviours around change.

As JLP finds itself in a more complex environment where change itself has become more multifaceted, taking this approach has created more clarity about what change looks like and what the expectations are on leaders and partners in implementing and leading through change. As this is an on-going endeavour for JLP, the long-term aim is also to build resilience around change by putting people's experiences on the forefront of what change is all about. Looking ahead, the ability to run large change programmes will be part of the future executives' Skills and Capability matrix which underpins JLP's talent management system. This will make delivering change in

**Illustration 7.4 (continued)**

a healthy way just as important as delivering on time, budget and quality requirements.

*Source:* written by Stefanie Gustafsson based on an interview with Deborah Strazza, Head of Organisation Effectiveness at the John Lewis Partnership.

<sup>a</sup>JLP is governed through a partnership structure, hence all employees carry the title of 'partner'.

<sup>b</sup>Principle 1 is part of JLP's constitution originally defined by John Spedan Lewis which describes how its ultimate business purpose

was to 'balance the happiness of all its members, through their worthwhile and satisfying employment in a successful business'.

<sup>c</sup>*Appreciative inquiry* describes a mode of analysis used during change programmes that is built on principles of positivity (emphasising the good of the existing and the positive potential of the future) and collaboration (through dialogue between members of an organisation, collective experimentation and choice). It was originally developed by Cooperrider, D. L. and Srivastva, S. (1987) 'Appreciative inquiry in organizational life', *Research in Organizational Change and Development*, 1, pp. 129–169.

show how, following the major redundancy programme, JLP continues its change journey by adopting an approach called 'healthy change'. Again, trust is important in enabling the programme.

Honest and straightforward transparent communication has been found to be critical in implementing successful change in other organisations through high trust cultures.<sup>19</sup> An over-reliance on technological communication was found to be unhelpful in many difficult change contexts as research showed that at times of crisis, where change is negative, employees wanted leaders to turn up in person to explain the reasons and business case for the transformation or reconstruction. People want to gauge the trustworthiness of their leaders by watching their behaviour and seeing them face to face. 'Spin' by corporate communications departments is disliked intensely. In research conducted by the University of Bath and the CIPD, employees expressed a preference for being told the truth about the reasons behind the change in a straightforward manner rather than being protected or shielded from the real reasons behind the change.<sup>20</sup> They found it easier to trust those leaders who told the truth, however unpleasant. What they found untrustworthy were leaders who either shielded them from the truth or lied about the real business case for the change.

Equally, high trustworthy organisations who are successful at implementing change, are those who place a value upon the importance of employee voice, or expressed another way, the importance of upwards communication alongside top-down communication. The role of voice in change has been well researched and shown to play a significant role in helping people through transition.<sup>21</sup> We discuss this in more depth in the next section.

Previous research has identified various ways of how leaders can build trust with their employees:<sup>22</sup>

- behaviour consistency: behaving consistently over time and situations to increase predictability;
- behavioural integrity: consistency between words and deeds, or 'walking the talk';
- sharing and delegation of control: engaging in participatory decision-making with followers;
- communication: communicating in a way that involves accurate information, explanations for decisions and openness;

- demonstration of concern: showing consideration, acting in a way that protects employees' interests, not exploiting others;
- consulting team members when making decisions;
- communicating a collective vision;
- exhibiting shared values.

Some of these characteristics were present at Sunderland City Council. Illustration 7.5 shows how this local authority managed to maintain the trust of both its workforce and the local community while implementing savage public sector cuts following the financial crisis and recession in the UK in 2008–12.

## ILLUSTRATION 7.5

### The strategic 'SWITCH' at Sunderland City Council

The Sunderland City Council (SCC) is a local city and metropolitan district council situated in the north-east of England with a population of around 280,000. It has been Labour-controlled since 1974 and is responsible for the provision of government services to its citizens. In 2010, the senior management at SCC anticipated that regardless of the outcome of the general election, their budget would be cut. They turned out to be right and SCC lost £58 million from its £745 million annual budget. This was likely to affect the council's workforce and challenge existing trust levels in the organisation.

Yet, the SCC board and local council committed to a bold and innovative move. They did not make use of normal cost-cutting measures such as reducing headcount, but committed themselves to providing quality front-line services and make no redundancy at all. This was important for senior management also, because the region itself is characterised by high levels of unemployment and social and health-related problems. Making people redundant would have increased those challenges even further.

SCC's approach comprised two distinct features: a values-based approach and 'SWITCH', a self-assessment tool that helped to create an internal job market and redeploy people. SCC's values are stated as follows: 'Proud, decent, together'. For its CEO, it was crucial that these values should be maintained throughout, if not become more important. The Head of OD and Workforce Development at SCC, described this in the following:

The chief executive said we must act in line with our values and the more challenging our situation, the more important our values become. [. . .] Some of the decisions we've taken in order to stick to our values are far more difficult to deliver than the more obvious routes. Whereas people have described the approach as 'courageous', it's also very much more worthwhile because of the longer-term benefits.

In addition, a new business-operating model sought to centralise functions and departments in order to avoid job duplication. This meant that roles needed to disappear or be rearranged. While external recruitment was mainly frozen, the change team created 'SWITCH'. This self-assessment tool helped to identify people's strengths, qualifications and experiences which SCC used to match them to their strengths in the internal labour market. As a result, people could be moved around based on their capabilities into the roles where they were most needed, rather than being made redundant.

When asked what the trust levels were following the budget cuts, the Head of OD suggested that they were higher than if they would have not taken the approach they had. Indeed, many at SCC recognised that the council had tried to minimise the negative impact of the cuts as best as possible and valued the way senior management and the change team had dealt with the situation.

*Source:* adapted from 'Where has all the trust gone?' (Hope-Hailey, V., Searle, R., and Dietz, G. 2012), London: CIPD, with kind permission of Chartered Institute of Personnel and Development, London ([www.cipd.co.uk](http://www.cipd.co.uk)).



As the case of Sunderland City Council illustrates, a critical contributor to the maintenance of trust during transition and change are the characteristics and competences of the individual senior managers leading the change, an issue we have explored in Chapter 6.

## 7.5 Employee voice

Traditionally ideas about communication in change have been dominated by the art of perfecting top-down communication.<sup>23</sup> How can senior leaders communicate clearly the business case for strategic change, the future vision and the change path they are taking to achieve that vision? This form of communication remains important but recent research has shown the importance of hearing the voice of employees in order to ensure the success of change. Correspondingly this means that there needs to be a capability amongst senior leaders to listen to and honour that upwards communication as a legitimate and useful form of information.

Executives, but also Organisational Development and HR practitioners involved in advising on and facilitating change, need to understand the importance of both listening to and engaging in dialogue with others. Although executives cannot always solve concerns that employees have, that does not diminish the importance of listening attentively to and acknowledging queries about change. The reasons for this are two-fold. The first is that it is through the exchange of concerns and ideas that employees start to make sense of what is proposed and, in the process of making sense, become more engaged with the change itself. The second reason is connected to greater expectations of democracy in workplaces. Leaders and designers of change need to recognise that questions from stakeholders about change plans should no longer be simply labelled as 'resistance' (see Section 7.6), but rather seen as legitimate questioning.

Research shows that rather than attempting to suppress 'resistance' and contributions from others to change, it is better for leaders of change to engage and allow others to have a voice.<sup>24</sup> Listening, dialogue and two-way communication is central to this, and facilitates the sense-making critical to change.<sup>25</sup> This can be fostered through two broad channels. One is through the day-to-day behaviours and attitudes of individual leaders of change, whether at senior or middle management levels, or in OD, L&D or HR roles. The second is through the use of HR systems and processes that enable upwards communication. These include, for example, employee engagement surveys, town hall meetings, focus groups, or the use of social media, such as web forums and twitter. Techniques discussed in Chapter 5, such as workshops using model building and drawing, storytelling, also provide means of achieving dialogue between senior executives and others.

Norton Rose, the City of London law firm, provides an example of the facilitating effects of voice.<sup>26</sup> The firm sees itself as people-centred. Trust is considered paramount to both relationships with customers and employees. Its corporate values are 'quality, unity and integrity', but they were severely tested at the time of the financial crisis. As many other law firms were cutting jobs, the CEO at Norton Rose decided to take a different approach. The firm asked staff whether everyone would agree to share the pain and commit to more flexible working in order to save people's jobs. This was to be achieved through an HR policy, 'Flex', which was put to the vote of the whole workforce. Staff were asked if they would take a voluntary cut to 80 per cent of their job for 85 per cent of their pay, either in the form of a sabbatical or as a four-day working week. A total of 97 per cent of staff agreed. In contrast to many of its competitors at that time, this consultative and democratic response to the crisis served to reinforce already positive relationships between all levels of the organisation.

It is through seeking greater information and using this information to consider the implications of change for themselves that others are able to start to imagine how their jobs, or their routines or attitudes, might have to alter. Talking about and questioning the rationale behind transformation with the leaders of change helps people to find the answers to questions about how will they feel, who they will be and what their job will be like in the new organisation. In engaging in this dialogue they are actually starting to engage in the change itself.

As we discussed in Chapter 6, senior leaders also need to recognise the critical role of dialogue between themselves and middle managers, given the crucial role that local middle managers play in turn as communicators of and ambassadors for change programmes during transition. In the many complex and geographically dispersed organisations that are now common, middle managers in local units may well be seen as the senior leaders by their staff. Getting these middle managers on board, by listening and acknowledging their concerns and issues, is essential for senior executives if they are to avoid the risk that these middle managers may ‘jump into the trenches’ with the troops.

The role of the middle manager is also important because in many organisations they are the line manager. Recent research has shown that trust relations between employees and line managers are most resilient and indeed, line managers are often more trusted.<sup>27</sup> This is because the relationship between employees and their line managers is often more personal, regular and immediate. In contrast, senior management can be perceived as remote and distant, and in fact often are geographically distant. Hence, using middle or line managers as change agents can help to reduce resistance to change and ensure the buy-in of those affected.

## 7.6 Organisational justice

The reactions of employees to the implementation of change programmes are also affected by how ‘fair’ or ‘just’ they perceive the management of change. This can range from decisions about which employees keep jobs during a downsizing, who gets rewarded and who does not and how those who are losing their jobs get treated through the redundancy programme. These reactions and interpretations of justice and fairness in turn affect employee commitment to the change being implemented. There are four main forms of justice.<sup>28</sup>

- 1 *Distributive justice*: perceptions of how fair the decisions or outcomes are – who gets the jobs, who gets the bonuses.
- 2 *Procedural justice*: perceptions of how fair the processes or procedures used to reach those decisions or outcomes are – such as the process used to select those for redundancy.
- 3 *Interactional justice*: perceptions of the actions and attitudes of those implementing these decisions towards those affected by the decisions.
- 4 *Anticipatory justice*: expectations to which future outcomes will reflect the other three forms of justice.

Distributive justice is about the outcomes achieved. Do the employees believe that what has happened to them is fair in comparison to what has happened to their colleagues? In addition, employees watch to see whether the criteria used to determine who goes and who stays are both transparent and consistently applied. Is there evidence of any bias in

**Table 7.1** Forms of justice

Form	Description	Examples
Distributive	Perceptions of how fair the decision or change outcomes are	<ul style="list-style-type: none"> <li>• In merger situations resources are distributed in a responsible and equal way</li> <li>• Senior management are not privileged over front-line workers</li> </ul>
Procedural	Perceptions of processes and procedures used to reach those outcomes	<ul style="list-style-type: none"> <li>• Cost cuttings are made transparently across departments or functions</li> <li>• Senior management communicates their decisions in an open and consistent manner</li> </ul>
Interactional	Perceptions of actions and attitudes of those implementing decisions towards those affected by the decisions	<ul style="list-style-type: none"> <li>• Line managers act with integrity and honesty when interacting with employees</li> <li>• Change agents show awareness of individual needs and differences</li> <li>• Workers are involved in the change process and their voices heard</li> </ul>
Anticipatory	Expectations to which future outcomes will reflect the other three forms of justice	<ul style="list-style-type: none"> <li>• Can be informed by all of the above considered in some point in the future</li> </ul>

the process of decision making? This is procedural justice. Interactional justice is about how employees feel they were treated during the process by their manager. It is about the personal treatment they receive and the kindness, concern and respect which managers displayed towards them. Finally, anticipatory justice is about employees’ projections or expectation of how just the outcomes are going to be. This can be informed by the other three types. This is particularly important in change contexts where the future is often uncertain. See Table 7.1 for a summary of the different forms of justice with short examples.

Some of the examples we discussed in this chapter have exemplified these types of behaviours. The Sunderland City Council for example, purposely chose a values-based approach that was built on principles of justice in trying to avoid any redundancies. Its Head of Transformation Programmes at the time describes this as ‘understanding what success looks like for both people and trying to find solution for that’. The John Lewis Partnership is another company which was praised by its partners for the dignity and honour shown throughout the change process.

In contrast, there are examples of organisations who have struggled to create a change programme that was perceived as just by its members. One of them is a central government department (see Illustration 7.6). Employees perceived the process underpinning the change initiative as unjust which resulted in them not being committed to it.

**ILLUSTRATION 7.6**

**When change is not just**

The Central Government Department (or CDG – its identity will remain anonymous) employs about 2,500 directly as well as several thousand agency workers. In 2009, the department underwent a merger, which forced the organisation to massively

restructure. At the same time, as a result of central government cuts, its budget was cut by several million from 2011 to 2015. Redundancies were inevitable, yet the process through which this was achieved was perceived by many as unjust and

**Illustration 7.6 (continued)**

unfair. This as a result challenged trust levels within the organisation.

First, CDG committed to a universal assessment programme, which would be applied to all its staff members. This consisted of an individual assessment form for each employee which would be completed by the line manager. Those employees who received the lowest scores would be considered first for redundancy. However, importantly CDG engaged management consultants to implement and score these forms. Although only 10 per cent of posts were eventually declared redundant, all 2,500 civil servants were put through a process run by these external consultants to determine their performance levels, and therefore, their eligibility to keep their jobs.

By employing external consultants to do this work, senior managers were thought to be renegeing on their leadership responsibilities and to be washing their hands of the negative aspects of change. They

were interpreted as being cowardly by refusing to deal with their own workforce on a direct interpersonal basis. Furthermore, the procedure used by the consultants was argued to be deeply flawed in the way it determined high or low performers. Although HR felt that the process had been 'harsh but fair', this was not perceived as such by employees. Moreover the process was designed so that line managers who showed integrity in complying with the assessment criteria ended up losing team members while those who manipulated scores could retain colleagues.

Overall the process was believed to be unjust and unfair resulting in virtually no commitment to this and other change processes simultaneously put in place by the senior civil servants leading the department.

*Source:* adapted from 'Where has all the trust gone?' (Hope-Hailey, V., Searle, R., and Dietz, G. 2012), London: CIPD, with kind permission of Chartered Institute of Personnel and Development, London ([www.cipd.co.uk](http://www.cipd.co.uk)).

## 7.7 Rethinking resistance

The concepts of engagement, voice, justice and trust discussed in this chapter all challenge traditional conceptions of change and resistance. They point to a reconfiguring of the relationship between those leading change and those on the receiving end. People may be reluctant to take on board and accept change, not just because of the implications of the change content, but also because of the way the process is managed or even who is leading it. They also point to the legitimacy of alternative voices, and that in modern-day corporations with knowledge-based workforces, there are greater expectations of voice and a right to comment and to alternative opinions. Alternative voices may be voicing appropriate and legitimate concerns about plans and should be listened to.

By comparison, many traditional theories of change divide the roles in change into 'change agents', those who are responsible for initiating and driving change, and 'change recipients', those on the receiving end whose responsibility it is to accept and adapt to change.<sup>29</sup> These labels cast these two different groups as protagonists, with the label 'recipient' in particular casting the receivers in a passive, do as they are told role.<sup>30</sup> The relationship between those leading change and those on the receiving end is largely conceived of as one-way. The managers set the agenda for change and recipients' only choice is to accept or resist. Individuals exercising 'voice' in a way that suggests alternative perspectives, questioning of motives and logic, doubts, or indeed anything short of acquiescence or acceptance, are classified as 'resistant'. This 'resistance' is typically viewed as an illegitimate response since right and might sit with the (more knowledgeable) managers. Resistance is an individual response that needs to be overcome

and if it cannot be, then those exhibiting resistance should be removed or moved to positions where they can't be an obstruction, or warned off showing their resistance by, for example, being passed over for promotion. Thus in many organisations, there may be a reluctance to exercise voice openly outside of immediate peer groups for fear of consequences.

The traditional view of resistance during change is something like the following. There are a number of different reasons individuals resist change, and these are often captured in lists and categories.<sup>31</sup> These are outlined below.

- *Self-interest and politics*: Issues to do with personal loss and cost of undertaking personal change, such as loss of turf, loss of status, loss of promotional prospects, separation from long-standing colleagues, or maybe even a less convenient journey to work.
- *Psychological reasons*: Issues such as fear of the unknown, fear of failure, concern about ability to develop needed skills, or a low ability to cope with change.
- *Emotional reasons*: May include lack of energy and motivation, denial of need for change, or demoralisation. Also uncertainty about impact of change on individuals, such as job security and earnings levels.
- *Change approach*: Lack of participation, involvement and communication.
- *Recipient perceptions*: To do with lack of understanding about why change is needed and its implications. May include different assessments about what should be done and the likely outcomes of proposed changes. A lack of trust may result from previous change experiences in which promises were not kept.
- *Cultural bias*: Entrenched ways of thinking (selective perception), and 'we have always done it this way' attitudes and habits. Conflict between proposed changes and existing values and beliefs.
- *Historical organisational factors*: Traditional relationships between managers and the unions and the workforce, or traditions of rivalry between functions or departments.

The list above shows one such categorisation. Once potential areas of resistance have been identified, it is necessary to consider the appropriate tactics to overcome the resistance anticipated among the different stakeholders. Tactics include education and communication to overcome negative recipient perceptions, and emotional and psychological fears of change; participation and involvement to reduce resistance arising from the change approach and reduce concerns about the impact of change and the ability to cope; facilitation and support for those fearful of the impact of change; negotiation and agreement to help overcome self-interest-based resistance; manipulation and co-option; and implicit and explicit coercion.<sup>32</sup>

Many of these tactics are similar to the range of change management styles discussed earlier in Chapter 2 and relate to the tactics for developing readiness discussed in Chapter 5. Indeed, rethinking resistance does not suggest that efforts should not be made to inform and educate individuals of the reasons for change, change plans and how change will affect them. Thus the point here is *not* to say that change agents shouldn't expect resistance, or shouldn't educate and communicate. Those leading change can hear new ideas about implementation, help employees to make better sense of change, and generate more commitment to change through processes, such as town hall meetings, or focus groups, which enable dialogue, debate and open two-way communication with others. The purpose of this section is rather to say that change agents should reconsider how they categorise the responses to change from others and recognise some less frequently acknowledged causes

of resistance which leads to a reframing of how to resolve it. Instead of suppressing resistance, it is better for leaders of change to allow others to have a voice,<sup>33</sup> and recognise their role in contributing to the resistance of others.

In relation to this latter point, more traditional theories of change typically view resistance to change as an individual response, as something that resides in individuals, a psychological phenomenon, and a kind of knee-jerk, one-off response in time to what they have heard about change.<sup>34</sup> There is little attention paid, if any, to the fact that those managing change can contribute to the behaviours they are labelling resistance, through their own actions and inactions, and their own ignorance, incompetence, or mismanagement.<sup>35</sup> Leaders of change need to recognise that resistance is not always a spontaneous response to particular change content. It can result from the nature of the relationship between themselves as leaders of change and others. Thus the significance of trust, engagement, voice and justice discussed above, which are all issues to do with the management of change, not its content.

Furthermore, resistance develops in groups, as a response to change over time, as the individuals try to make sense of change, its justifications and its implications, through their conversations and interactions with each other. This process is infused with emotion and so emotional contagion, in terms of both positive emotions such as excitement and pride, as well as negative emotions, influences the nature of responses to change.<sup>36</sup> To understand change responses it is necessary to understand this process and that this will include judgements of the capability, legitimacy and appropriateness of approach of those leading change, as well as the change content. Illustration 7.7 shows how negative responses to change can develop over time as a result of such judgements, even when initial responses were positive.

## ILLUSTRATION 7.7

### The evolution of resistance: The case of Tekco

Tekco (an alias chosen by the authors in order to protect the organisation's identity) is a large information technology company that had historically held a leading position in the market. However, owing to changes in the regulatory system and resulting shifts in the competitive and technological environment, it suffered a critical drop in performance. In addition, external pressure resulting from deregulation of the industry induced by the national government also meant Tekco's originally engineering-dominated culture had to become more innovative and adaptive to the current context. The pressure on the organisation was further increased by criticism and scrutiny from investors who viewed the company's declining performance as concerning. The need for a fundamental change programme seemed imminent.

As a result, the board of directors appointed a new CEO from outside Tekco who quickly introduced radical changes to the organisation's

structure, incentive system, redundancies and a new cadre of managers to cater for competitive markets. In order to implement these changes, 40 senior middle managers were engaged. Following the request of these managers, an external consulting firm was brought in to conduct advanced quantitative analysis and introduce external benchmarking to inform the reengineering process. The new managers also involved 500 other managers from across the organisation with the aim of proposing a range of change initiatives to cut costs and increase revenues. Grouped under the umbrella term 'Corporate Transformation' a total of 150 change projects were funded with the focus on IT and work process reengineering.

It initially seemed as if the change programme would be successful. The managers shared the perception that radical change was necessary and they viewed the top team as legitimate in formulating the

### Illustration 7.7 (continued)

change. However, when moving into the implementation phase, top managers shifted their focus away from the change projects and failed to deliver on their earlier promises of support. As a result, the managers' emotional response changed from positive to negative. They started feeling anxious, disappointed and frustrated. This in turn affected their judgement of the top team and the perception of the ability of top managers to be effective change agents. Over time, the managers became increasingly critical and resistance grew. Negative change outcomes such as delays, change fatigue and reduced learning became common.

As confidence in their leaders declined, the managers also began to perceive their competitive advantage, customer service, to be at risk and mistrust

grew. This in turn fuelled further negative emotional responses and reinforced negative perceptions of the top management team. As resistance grew, top management could not meet the targets that they had promised to shareholders and in response initiated another round of layoffs. By then, the managers had lost faith in their top team and were publicly defying them. Their negative emotional response had reached a peak. As a result of these events, Tekco's CEO quit unexpectedly and the interim CEO initiated the dissolution of the top management team.

*Source: adapted from Huy Q., Corley, K. G. and Kraatz, M. S. (2014) 'From support to mutiny: shifting legitimacy judgments and emotional reactions impacting the implementation of radical change', Academy Management Journal, 57 (6), pp. 1650-1680.*

Illustration 7.7 describes an extreme situation which required the resignation of the change leaders. An alternative is that those on the receiving end, including those who have talents the organisation would like to keep, become so disillusioned with the process and those leading it that they leave the organisation.<sup>37</sup> If individuals do not leave, an alternative result may be low morale and motivation resulting in an underperforming organisation. Thus the consequences of the traditional view on resistance can be serious for organisations. Leaders of change need to look to themselves and reconsider their approach to change.

## Summary

The overall message from research on change presented in this chapter is that unless the human factor is recognised, and managed appropriately and sympathetically, the reactions of the employees, on whom the organisation ultimately depends for its performance, can nullify the effects of change, leading to poorer organisational results and profits than anticipated following the transition. Human process interventions, such as team-building activities to facilitate open communication and rebuild trust, morale and commitment; counselling and support to facilitate the personal change required; and stress management to manage work role conflict, feelings of job insecurity, and role and career confusion; can be critical. So can other interventions which facilitate communication and involve employees in the change process. In particular, this chapter has stressed the importance of aspects of organisational climate in determining the success of change and transition. This chapter has:

- explained the role of organisational climate in creating enabling conditions for change, and how to measure it;
- explained the concepts of employee engagement, trust, employee voice and organisational engagement and how their presence is beneficial, if not critical, at times of change;

- explored how organisations develop engagement, trust, voice and justice;
- encouraged change leaders to rethink traditional models of change, and in particular to rethink resistance and the value of employee voice.

The final chapter of this book follows. It provides a summary of the concepts in this book and the implications for the practice of change management.

## Notes

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## WORK ASSIGNMENTS

- 7.1 Consider the notion of organisational climate. Why is it important for change agents to have a good understanding of the climate in an organisation when planning and implementing a change programme?
- 7.2 Critically evaluate the suggestion that employee engagement is important in order for change programmes to succeed.
- 7.3 Using Illustration 7.4, discuss the benefits of JLP's approach of 'healthy change'. Link back to previous chapters on the types of change and design choices and consider if such an approach is suitable for all organisations.
- 7.4 Why is it important for senior managers to consider employee voice at times of organisational change? How does this concept link to others we discussed in this chapter, such as engagement, trust and justice?
- 7.5 Consider the four different types of justice. Using illustrations we presented in this book as well as others from your own reading of newspaper articles or alternative sources, provide examples of organisations that addressed the need for justice when implementing change.
- 7.6 There is a famous Dutch saying that 'trust comes on foot but leaves on horseback'. What are the implications of this saying for the management of organisational change?

## Concluding comments

### 8.1 Introduction

Much of what has been written on strategic change over the last three decades has taken a 'one size fits all' approach by seeking to distil lessons from successful change programmes into best practice formulae applicable in all situations. However, the world of business and government is now too diverse and too subject to unpredictability to expect universal change recipes to work in all contexts. Instead, it seems more appropriate to identify the best analytical tools to deploy in any context. These will then help leaders to design the best solutions for their organisation, based not on universal formulae, but on the needs of the organisation at that specific time and in that specific place. This is the purpose of this book.

In this concluding chapter we summarise the thinking presented in Chapters 1 to 7 and consider implications for practice.

### 8.2 The persistent problem of change

Leading and managing change remains a challenge for most senior executives. Despite numerous books, webcasts and consultancies disseminating experience and knowledge in this area, significant organisational change still thwarts many leaders. Many change programmes still fail to deliver the benefits they promise. The reasons for this are numerous: the world which senior business and government leaders inhabit is becoming more global, more connected and therefore more complex by the day; the economic, political, social and technological contexts in which their organisations operate shift constantly, introducing not just greater complexity but more diversity; and the expectations, fears and motivations of their employees change as the environment changes. The world has become more complex and more volatile. What were successful change solutions for an organisation five years ago might not deliver the same benefits five years later. What works in North America may fail as a change solution in China and vice versa. What persuaded an employee to change five years ago is met with indifference five years later.

More than ever, and consistent with the central theme of this book introduced in Chapter 1, the implementation of strategic change requires just as much thought as the strategy formulation that precedes it. Many change programmes fail to deliver the benefits their designers promised precisely because too little time has been spent thinking through implementation. Producing a ‘blueprint’ which is then passed to others to make happen is simply not enough. The senior manager role in strategic change has two components – one is externally focused and to do with devising strategies that meet the external challenges (strategic thinking) and the other is internally focused and to do with aligning the organisation behind the intended strategy (strategic acting). For the intended strategies developed in strategic plans by senior executives to be realised in their organisations, these executives need to have a capability in both components. What leaders need to be able to do is to bring change analysis to bear as well as change action.

This book has, therefore, presented a series of tools and techniques that can help leaders of change, be they the topmost corporate executives of an organisation or other managers, to do two things: 1) to adequately analyse the context in which they seek to make change happen and to exercise judgement to devise context-sensitive approaches, and 2) to enable them to take action against the selected approach and manage the transition appropriately. As such the book is all about implementation and strategic acting rather than strategy formulation and strategic thinking. It is about putting strategy into action to make change happen and shift the organisation from its past into its future. To facilitate this, the book is split into two halves. The first half attends to the analysis and design we think is necessary for the successful implementation for change. The second half of the book attends to the ‘doing’ of change by giving tools and techniques for the transition stage of change.

### 8.3 Analysis and design: techniques and tools

In Chapter 1 we introduce the Change Kaleidoscope as a framework which can be used by those leading and designing change to develop an approach to change tailored for their particular organisation’s change context, see Figure 8.1. The framework has two main parts. It consists of a catalogue of *design choices* (inner circle) and a series of questions that need to be asked about the organisation’s *context* in the outer ring. The central argument of this book is that decisions about design choices can only be taken on the basis of a sound and thorough analysis of the organisation’s context through asking these questions. The subsequent three chapters are devoted to the analytical processes necessary to fully utilise the framework.

Chapters 2 and 3 address the design choices. In Chapter 2 we introduce the idea of different types of change and the notion of a Change Path, plotted against the four different types of change. The four types of change are captured in a two-by-two matrix (see Figure 2.2) which provides a tool that can help senior managers to think about the sort of change they are ultimately trying to achieve. What is the *end result* of the change – is a *transformation* of the business and culture of the organisation required or merely the *realignment* of structures within the existing business model? It also sets out the option of implementing the change *incrementally* over a number of years or making it happen rapidly in a *big-bang* way over a shorter period of six to twelve months. It also helps managers think about whether it might be necessary to have several stages in the change journey before the end

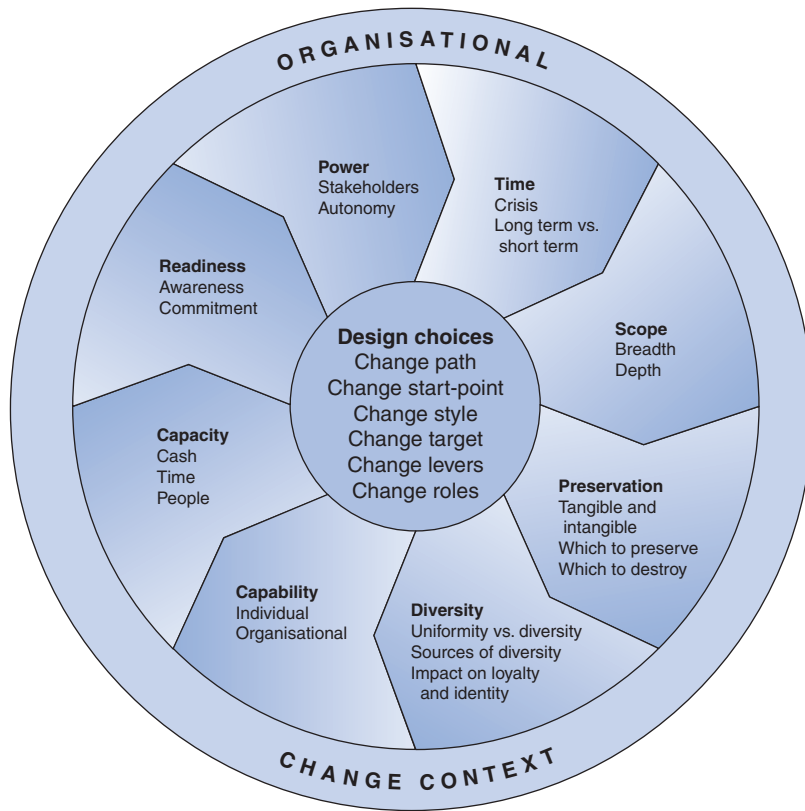


Figure 8.1 The change kaleidoscope

result is achieved. Change that is transformational in intent is like a long-haul flight. Indeed it is very likely to be necessary, for the change to have different stages or stopovers with different pilots and crews leading and managing the various stages in different ways.

Chapter 3 addresses the remaining design choices. Following the important decision determining the appropriate Change Path for the organisation, senior managers then have to take a series of other decisions about the design of change. First they need to consider where the change should start. Should the *start-point* be the top of the organisation or should the organisation cultivate the change programme in a bottom-up way? Leaders also need to determine the *style* of developing the change. Are they going to be quite directive in their approach, with little space or time for consultation, or are they going to deploy more participative activities involving the wider workforce in the design and implementation of the change?

Being clear about what the change programme is trying to achieve is also important. What is it targeting? Are employees expected to change their outputs or objectives, their behaviours or, at a deeper level, the way they embrace and reproduce the organisation's values? Sometimes employees get confused about what the organisation is asking them to do differently. Hence clarity is needed around the change *target*. A broader decision connected to the target, one that takes some time, is deciding exactly what change interventions should be made to support the transition. Many change leaders focus exclusively on

structural or systems change but, as this book has shown, there are a range of other *levers* that could be used, ranging from symbolic initiatives to training and development programmes to support behavioural or attitudinal change. Finally, who will lead and who will support the change programme across the organisation calls into question the allocation of *roles*. Will leadership for the change lie with the senior managers or is there a case for bringing in consultants? Should cross-functional change action teams be established?

Chapters 2 and 3 expose the extent to which the scoping of the design of change raises many questions. How should senior leaders make those decisions? In Chapter 4 we focus on the need for change agents to read their context through careful analysis and exercise judgement on this basis of this as to the appropriate design choices. We present the outer ring of the kaleidoscope and eight contextual features which generate a series of questions that need to be asked, as follows. How much *time* is there to implement the change? What is the *scope* of the change in terms of breadth and depth of its coverage? What core competences, practices or resources need to be *preserved* because they deliver competitive advantage in some form or other? How homogeneous or *diverse* is the organisation in terms of skills, cultural values and norms? Are there several subcultures across the organisation based around different geographic locations, age or occupational groups?

Equally important is analysis around the organisation's *capability* for change as well as its *capacity* for tackling change. Sometimes people talk about these two areas as one and the same but they are not. Capability is about competence, skill and experience of managing change at all levels of the organisation but capacity is more about resources. How much cash can the organisation invest in the change or is it in a cash-starved situation? How much spare time or human resource can the organisation invest? Consideration also needs to be given to the level of *readiness* within the workforce. Is there only an intellectual awareness about the need for change, or is this augmented by an emotional commitment amongst the workforce to take a risk and try to deliver their jobs or products or service in a different way?

Lastly a critical question that must be asked is about the role of powerful groups within the organisation and beyond. Where does power lie? Who has the power to make or break this change? A realistic analysis of power relations is essential before any change programme is designed.

This book maintains that a sound analysis of these questions enables most change leaders to make better, appropriate and context-sensitive choices about how to design the implementation of change. Rather than pulling down seductively simple solutions borne out of another organisation's or leader's experience, senior executives need to design a programme that will get maximum traction by addressing the real needs and idiosyncrasies of a specific organisation. The value of consultants or internal advisers then lies in their ability to help a change leader understand that context and design change appropriately rather than peddling pre-packaged solutions based around their own competences as opposed to the organisation's needs.

## 8.4 The doing of change: techniques and tools

Having designed a change programme that suits the organisation's context a change leader's concerns must turn to action. Chapter 5 helps people think about managing the process of *transition*. Too many senior managers launch the programme with a 'to do' list of change

initiatives but in their minds the list of initiatives are for other people in the organisation to attend to. Whereas having engaged in strategic analysis through the Change Kaleidoscope, senior leaders must give equal attention to the safe stewardship of the programme through its transition stage. The second internally focused component of their role to do with aligning the organisation behind the intended strategy (strategic acting) cannot simply be delegated to others. This second stage involves engaging others in the change journey the organisation is undertaking, not as spectators but as participants.

To do this senior leaders must create compelling *visions* and *sequence* different change interventions so that they create momentum at the right time. Senior leaders need to keep their hand on the tiller of change until its successful completion, which may be over a period of years rather than just a few months. Research has shown that the great risk at this stage is that senior leaders lose interest once their strategic analysis is complete. The danger is that they start to move their attention onto formulating *new* strategies or changes for the organisation to adopt before the rest of the organisation has had time to complete the previous programme and reap the benefits. The temptation for many senior managers is to equate safe stewardship of the implementation of change with an ‘operational’ responsibility and as insufficiently ‘strategic’ to command their attention. In fact, it is in designing and managing the transition of change that senior leaders make a difference by actually making strategy happen!

Of course, although senior managers should not neglect their responsibility to seeing through implementation, equally most depend upon others in the organisation to join them in a team approach to implementation. Thus our use of the concept of Change Agent throughout this book as a wide range of individuals may be involved in the task of making change happen. Chapter 6 considers the new competences and practices required of senior leaders in managing change, particularly since the financial crisis and recession in

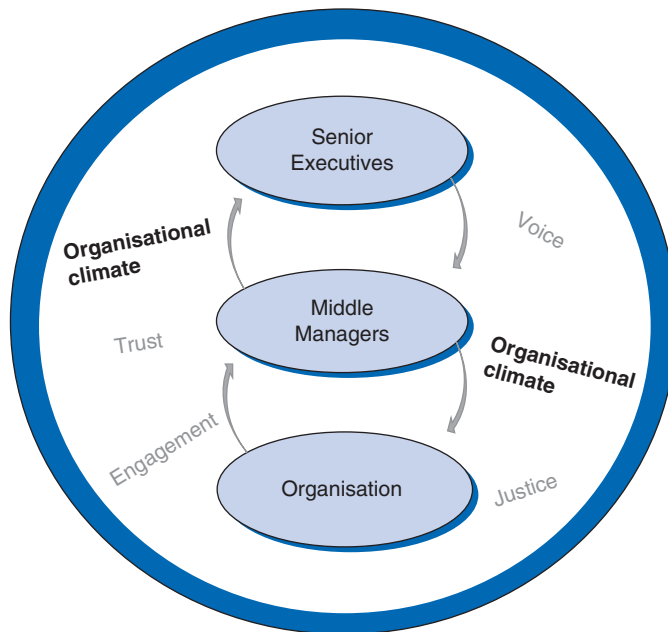


Figure 8.2 Enabling conditions for change

western economies. It also considers the critical and quite different two-headed role of middle managers in supporting senior leaders and bridging between the views and reactions of the workforce and those self-same senior leaders. The chapter also looks at the role of the HR function in supporting change, both as a change consultant but also as a designer of key supporting processes and systems like training and development, performance management systems and reward and benefit schemes.

Finally the book recognises that change does not happen in environments that are blank sheets of paper. Organisational climate can be a support or a hindrance in the change endeavour. Chapter 7 considers key issues in workplace climates that are topical at present. These include employee engagement, trust, employee voice and dialogue and also organisational justice (see Figure 8.2). As we explain in Chapter 1, employees have had serious doubts about the benevolence and motivation of senior leaders or businesses and governments for some time, but the financial crisis in 2008 fuelled those doubts. With a great deal of uncertainty remaining in many workplaces at the time of writing this book, leaders of change need to give their full attention to these issues of climate and workplace relationships.

## 8.5 The practice of strategic change

### 8.5.1 A change flowchart: using context to inform choice

Figure 8.3 shows a flow chart first introduced in Chapter 1 which summarises the different stages in a change programme covered by the previous chapters. The important point to reinforce is that this book reverses the first two stages of the 'how'. We discuss the design choices in Chapters 2 and 3 before we discuss the contextual analysis in Chapter 4. This is because it is necessary to have an understanding of the design choices before it is possible to explain the implications of an organisation's change context for these choices. However, it

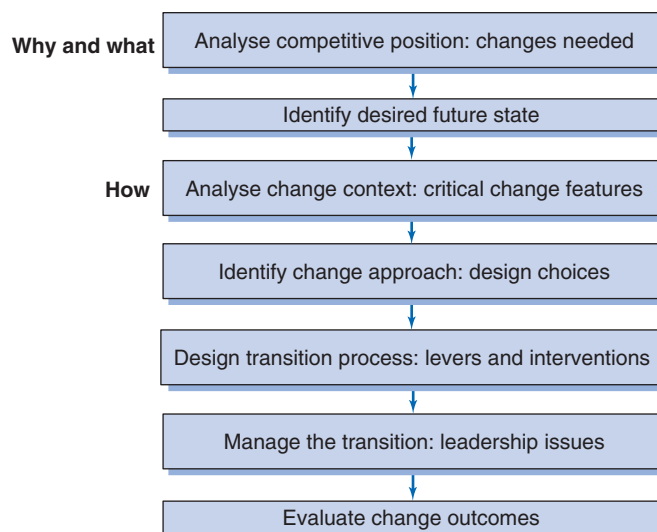


Figure 8.3 The change flow chart



is absolutely essential that in practice the contextual analysis is carried out first and used to inform the design choices.

### 8.5.2 Dual role components

There are other aspects of practice that we have highlighted at various points throughout this book that need to be remembered in conclusion. One we have already discussed above – that the senior manager role in strategic change has an externally focused component and an internally focused component. Just recognising the second represents a significant departure in practice for many senior executives who consider implementation non-strategic and someone else's problem.

### 8.5.3 Reading and rewriting the context

A third important aspect of practice is to do with reading and rewriting the context. We discuss how those leading change need to practise reading and rewriting the context in two different ways. First, it is important to realise that the very act of using the kaleidoscope is about reading and rewriting the context. This is the whole point of the change path presented in Chapter 2. Many organisations find that they cannot immediately implement the type of change required of their organisation because they lack facilitating aspects of context such as capability, readiness, capacity, or even the power to push through the needed changes. Thus the first part of the change path is about changing the organisation in a way that rewrites the context analysed through the eight contextual features of the kaleidoscope, to enable the organisation in subsequent phases to deliver the required depth and breadth of change.

Second, it is necessary for senior executives to be prepared to 'rewrite' the context by personally taking action in ways that visibly support the changes they are advocating. We focus in on this in Chapter 6 in particular, although it is a theme throughout the second half of the book as we look more specifically at actions that need to be taken to deliver change. Concepts such as 'role modelling', 'leading by example', 'MBWA' (management by walking about) are hardly new. In fact, many organisations would consider such phrases 'old hat'. Yet ironically they have never been more relevant in a context where senior executives in organisations are under the spotlight and need to engage in more relational styles of leadership to build engagement, trust, employee voice and justice.

### 8.5.4 Building a shared understanding of change

Finally, for managers in organisations to practise change they need to have a shared understanding of 'change'. Many organisations and executives lack a vocabulary to even discuss the topic. 'Change' becomes a unitary concept with terminology such as 'revolution' used around without adequate understanding of the implications of such choices or even what a revolution is in comparison to other types of change, or the feasibility for an organisation to undertake such a change.

The frameworks, techniques and tools introduced in this book can help executives in organisations to build a more sophisticated understanding of the phenomenon of change in practice, its varieties and the implications of this. It also provides executives with a common vocabulary that can help them to explore and capture the change issues in their organisation.

## 8.6 In conclusion

In conclusion, since the financial crisis we would argue that the crisis coupled with subsequent recession and political instability in some economies, led to an increasing sense of uncertainty at a societal level in many countries. Uncertainty can breed fear. What this means for managing strategic change these days is that, although analysis or ‘reading’ the context remains key, even more is expected of leaders in terms of their actions in ‘rewriting’ the context.

Fear can cause workforces to freeze in the face of uncertainty. Rewriting the organisational context now appears to require more personal investment on the part of senior leaders in creating inspiring and inclusive visions of the future, more personal energy put into engaging workforces in their change ambitions, more demonstrations of their benevolence and integrity in order to gain the trust of their employees and customers, and more demonstrable attention to just and fair processes in terms of restructuring, job cuts and rewards and benefits.

In short, designing strategic change has always been a complex process requiring much analytical thought but leading that change has just got more difficult over recent years. In this book we have tried to present the best of our and others recent research to provide tools, thoughts and solutions to enable others to design and lead change in a way that guarantees them the greatest chance of success.

## CASE STUDY 2

## GlaxoSmithKline Pharma Greece

Julia Balogun and Mandy Bennett

*This case describes how GSK Pharma Greece, led by their General Manager, George Katzourakis, initiated and implemented organisational change. It can be used to help students and other readers of the book deepen their understanding of how to implement major organisational change. Assignment questions are at the end of the case.*

### Background to change

GlaxoSmithKline (GSK) is one of the world's largest pharmaceutical companies. GSK was formed on the 27 December 2000 from a merger between the UK pharmaceutical companies GlaxoWellcome and SmithKline Beecham. GSK Pharmaceuticals is the commercial arm of the business. The Division brings together sales and marketing to commercialise GSK medicines and products.

This case is concerned with the European GSK Pharmaceuticals business. The European business is headed by a European President and consists of a number of Local Operating Companies (country based sales and marketing operations or LOCs). Each LOC is managed by a General Manager (GM). At the time of merger, although most LOCs were promoting the same products under the same European Licence, each General Manager had the freedom and autonomy to determine their own sales and marketing campaigns and had large commercial organisations in place to support this.

In 2003 Andrew Witty was appointed President of Pharma Europe. His evaluation of the Pharma European business showed that post-merger, although a number of LOCs had been performing well, the overall performance of Pharma Europe was not as strong as it could be. GSK Pharma Europe appeared to have taken its eye off the ball. Andrew Witty's view was that the GSK business in Europe was running very much as it had run in both heritage companies for a very long time: through an independent, subsidiary-organised structure. This structure was traditionally believed to be the best way of running a successful pharmaceutical company, and indeed had served the company well for a long time. However, the situation facing GSK

Pharma Europe in 2003 required a new business model.

Andrew Witty's plan was to build an integrated Europe, accepting that where it made sense to do things locally, i.e. at an LOC level, such as the relationship with governments and payors within the local environment, then the GM and the local teams should be empowered to have the freedom to act, but where it made sense to do things only once on behalf of the whole of Europe, then this would be co-ordinated centrally and done once across Europe. In this area he included many back office core processes such as IT, procurement and finance but more contentiously also the strategic campaigns for all the major pharmaceutical brands. A perceived key success factor of the new operating model was to ensure that the new roles created by the change were filled with key talent from across the Global organisation, to break the previous hold on senior positions by those from headquarters and other businesses in the UK. The resulting group of individuals represented a pan-European group.

One of these individuals was George Katzourakis, a member of the Greek management team. A part of the first wave of change under Andrew Witty, George relocated to the UK to play a key role in one of the new Centres of Excellence created to advance the new European Business Model.

Subsequently, following his success in the Centre of Excellence, George was appointed as the GM of GSK Greece Pharma (the Greek LOC). His challenge, like other GMs at the time, was to introduce major strategic change to align his LOC with the new European Business Model and to develop the business within his geographic area. Although this change needed to be positioned within the broader strategic change initiative within Pharma Europe, the GMs and their senior country managers were given autonomy to formulate and implement change locally as they saw fit.

### Post-merger Pharma Greece

Although the merger of GlaxoWellcome and SmithKline Beecham had been wildly acclaimed worldwide as a 'merger of equals' (see: <http://www.pharmaceutical-journal.com/news-and-analysis/>



## Case study 2 (continued)

*news/glaxo-smithkline-to-be-formed-in-114bn-pound-merger-of-equals/20000201.article*) this was not the case in the Greek Pharmaceutical Business. In Greece GlaxoWellcome was a much larger organisation than SmithKline Beecham; in Greece it was less of a merger and more of a takeover. The previous GM of the GlaxoWellcome business became the new General Manager of the GSK business. The previous GM of the SmithKline Beecham business and all but one of his old management team (George Katzourakis) left. The new Greek GSK organisation was headquartered in the old GlaxoWellcome offices and for the majority of old GlaxoWellcome employees it was pretty much business as usual.

The old GM had his own way of running his organisation. He led it as if he was the father of a huge family. The result was a centralised, paternalistic, inward-looking organisation. The GM held himself accountable and responsible for everything that happened. He determined the strategic direction of the organisation while simultaneously dictating and controlling the detail required to execute that strategy:

The previous GM, HRD, the top Commercial Director and one of the other level 2 sort of Commercial Directors were all sort of very powerful members of the management team. And they also had a very different style of management. Very paternalistic, very centralised, very Kings, Queens in style. The kingdom... kind of Zorba the Greek kingdom approach.

Typical Greek organisations, it is the father figure at the top, protecting, very little delegation, little empowerment, everything is controlled from the top.

Nothing would happen without the GM's say-so and every decision was referred upwards for his sign-off. He had appointed a management team but they rarely met as a team. He preferred to operate with each individual on a one-on-one basis, ensuring that he was pivotal in all dialogue and most if not all actions and conversations revolved around him. The management team in turn mirrored his leadership and ran their separate departments in a similar 'self-centred' controlling style.

I lead my function and meet 1:1 with the GM. I didn't really need to speak to anyone else.

I knew what I had to do and I got on with it, very rarely did we meet and discuss things as a group.

Lack of any clear guidance from the European Corporate centre on the need to play a good European citizen was seen as clear permission to focus on the Greek business success at any cost. For all members of the organisation 'GSK Greece' was their world and there was no connection to GSK Pharma Europe or the wider GSK organisation. The organisation looked inward for their measures of success and benchmarked themselves against their own internal view of the world.

One of the main consequences of a centralised, controlling leadership style was that the communication across the organisation was very fragmented. Communication was information and information was power. Therefore the GM chose to whom, what and when he communicated very carefully. This pattern was repeated down the organisation. Each functional director shared only what was necessary to ensure their team could function successfully and rarely would directors share information across functions with each other. Necessary and relevant information was always shared upwards through the GM who then cascaded to others where he thought it appropriate:

There is a lack of internal information, no transparency, everybody is fighting on their own, on my side I found when I arrived that every single person that arrives, there is no structure or support to say this is the way we work etc., you just have to discover everything on your own, from IT to expenses. And the problem is there are no processes, everything is created from scratch.

GSK Greece consisted of head office teams based in Athens and regional sales teams based across the Greek mainland and the islands. There was a huge disconnect between these field-based sales teams and the rest of the organisation, with little communication between the two areas of the business.

Despite what appeared to be a leadership style unlikely to succeed, during the years post-merger the GSK Greece organisation was very successful. The GSK products were proven and almost 'sold themselves'. The rate of growth in the market ensured that GSK Greece always achieved its sales growth targets. It was a leader in a cosy oligopoly. Employees were well rewarded. By achieving the sales growth targets they always received a good

### Case study 2 (continued)

bonus. They worked within their comfort zone as 'proud children of a happy big family.'

#### The Greek hero returns

Many senior managers took the opportunity given by the changes put in place by Andrew Witty in 2004 and 2005 to take early retirement or exit the organisation. The Greek GM was one of these as he was close to retirement age. Of major concern to the Greek organisation was the possibility that the new GM could be a non-Greek, a Global assignee, who clearly would never be able to fully understand the culture and customs that made Greece Greek and made GSK Greece unique and more 'special' than any other LOC. Thus the announcement in September 2005 of the return of George Katzourakis as GM was greeted with relief:

There was worry in the organisation that we would get a Global Assignee as a GM, somebody who would not understand the Greek ways, we were all very relieved when the announcement was made that it would be George.

He was seen as something of a returning hero:

The GM is really important and really brave and really sort of inspiring thing for the future because, you know, this person basically safeguards our continuity, our continuing in the pharmaceutical marketing Greece.

#### Evaluating the need for change

George started with an evaluation of Greece Pharma and its market position. Having previously worked under the old GM, he understood the old leadership style and ways of working in Greece. In addition, from his pan-European Role in one of the Centres of Excellence, he was well connected to the overall vision and goals established by Andrew Witty for the new Pharma Europe Business Model. He drew on this knowledge when evaluating the situation of the Greek LOC. While many issues facing the Greek market mirrored those facing Pharma Europe as a whole, there were also some issues particular to Greece. Many Greek hospitals had debts and purchasing decisions were being made on cost alone, not quality. The key challenge was that the Greek LOC was facing a deteriorating business environment, yet it was going to be difficult

to drive change against established structures and mentalities.

In February 2006 George asked the Vice President Leadership and Organisation Development (VP LOD) Pharmaceuticals Europe to partner with him and his newly appointed HR Director to provide facilitation for a change process. He was clear on 'what' he wanted to achieve, but he wanted advice on the 'how'. He believed that the required changes went beyond structure involving a fundamental shift in mindset, attitude and behaviours. He recognised the latter was going to be the major challenge.

A slide taken from a future presentation to his senior management team summarises George's assessment of the situation and of the current and future states, see Figure 1.

George Katzourakis' aim was to shift GSK Greece from its old culture of a comfortable, safe, paternalistic organisation where the employees were happy to be treated like children by 'the Father', the GM. It was also necessary to move from a culture in which customers were not perceived as that critical since products would sell themselves, and in which Greece was perceived as stand-alone, not needing to fit in with the rest of Pharma Europe.

George wanted a new culture, in which employees expected to be treated as adults and were expected to behave as adults in return. All employees were going to be expected to be commercially aware and brand-focused. The relationship with the customer was to become critical to the success of the business. GSK Greece would become fully integrated into the Pharma Europe and global GSK business model and become sensitive to global trends and requirements. Unethical practices would not be tolerated, even if they were acceptable in competitor Greek Pharma businesses. All employees would be expected to sign up to a strict ethical code of practice. Communication channels would be created across functions and up and down the business to increase transparency and foster engagement of the employees. Employees needed to be motivated, passionate, resilient, trained and caring professionals of a commercially minded organisation.

For this to be achieved, George believed that the GSK Greek senior management team would need to become role models for leadership, and inspire their teams to compete hard to regain and maintain a market leadership position.



## Case study 2 (continued)

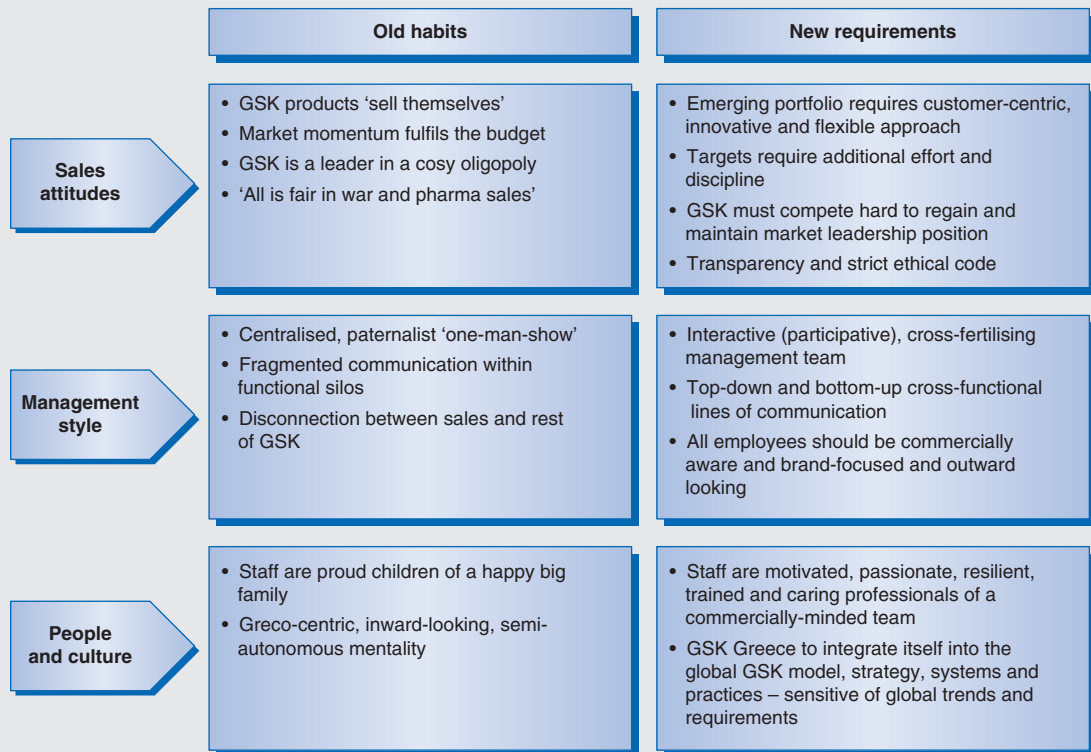


Figure 1 Diagnosis of current organisation

**Engagement of the senior management team**

George, his newly appointed HR Director and the VP LOD developed a series of workshops and interventions for enabling and driving the required change. The work began with the management team. The previous GM had chosen to work very closely with only a couple of management team members who were often referred to as his 'chosen few' or the 'Inner circle'. It was rare for the whole team to come together, yet for the change to be successful the management team had to buy into the rationale for change, and had to recognise the need to change both how they worked as a team and how they worked as individuals. Thus the first intervention was a two-day workshop in April 2006 to begin to address these topics.

The workshop was booked away from the office and the managers were asked to come prepared to share their objectives. There were three main purposes to the workshop: to begin the change process with the management team through exploring a number of key aspects of the change

and to collectively agree a vision for the future; to ensure what they were currently doing i.e. their short-term objectives, were aligned; and to begin the process of building the team and their ability to work with each other. An additional purpose was to introduce the notion of culture change.

The first session was simply called WHY and in this session George outlined his assessment of the current state of the business both from an internal GSK perspective and an external environmental perspective and delivered a clear rationale for the need for change. The aim was to ensure that everyone in the team had the same understanding of why GSK Greece needed to change, see Figure 2. Following this, George presented his thinking on the vision of the future and asked for views and feedback to refine it. The management team was then asked to work together to craft a vision statement based on what they had agreed. The resulting statement became the vision statement for the organisation, see Figure 3.

Case study 2 (continued)

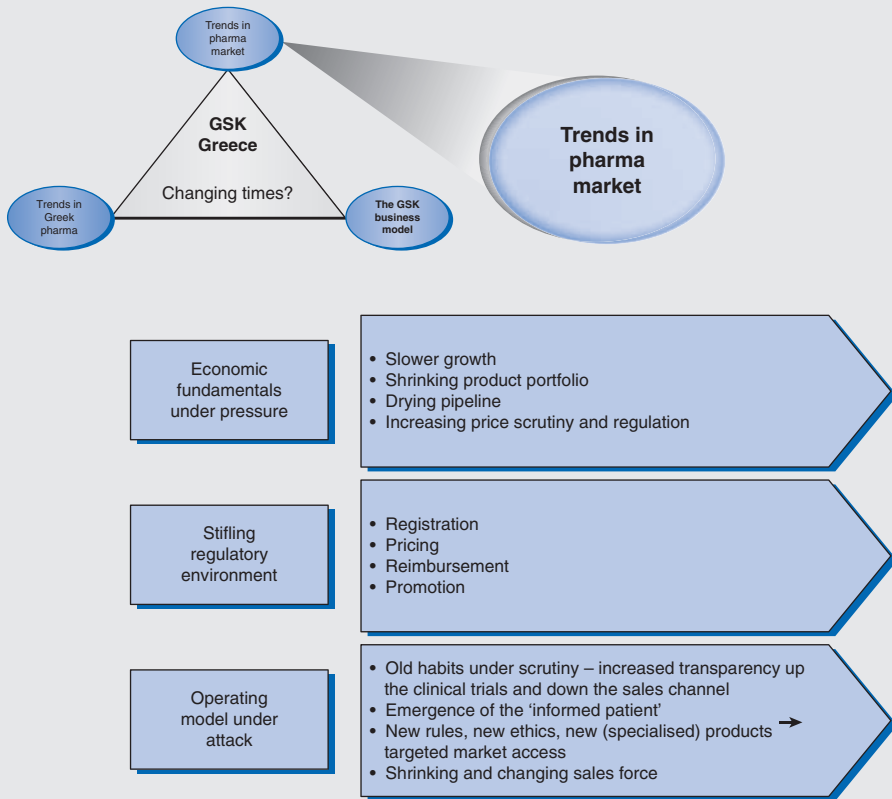


Figure 2 Trends in Greek pharma market

The second day of the workshop focused on the management team as a team and their leadership and ways of working. They agreed clear new ways of working for themselves as a management team. They also discussed how, when and what should be communicated to the wider organisation about the need for change, particularly given the old culture in which communication was heavily controlled by the GM. Everyone in the organisation knew that the management team was meeting off site and curiosity about what they were doing was high. A collective view emerged that there was a need to communicate something and that the content and style of this communication would be a powerful symbol of change.

If we are serious about changing the culture then we should start now by being open and transparent about what we have been doing whilst we have been out of the office.

I agree and we should all say the same things when we get back to show that we are a team and we can speak with one voice.

A common set of messages was decided upon and it was agreed that each management team member would cascade these personally to their teams. It was also agreed that on-going communication was key to the change process and that the newly appointed OD Director would co-ordinate this. Finally it was agreed that a follow-up workshop would be planned to develop plans for culture change in Greece.

## Case study 2 (continued)

## Our vision

'GSK is the most responsible pharmaceutical company in Greece, offering innovative drugs to patients through its superior research & development capabilities.

To do this, GSK attracts and invests in the most capable people, encouraging them to do their best on a daily basis and feel proud of their work and the company's contribution to society.'

Figure 3 Our vision

### Building the future

On 18 and 19 May the management team returned to the same hotel for their second workshop. The main purpose of this workshop was to introduce a methodology/framework for the culture change in Greece (the culture web), to begin working with this methodology, and to agree how to take the work forward. The workshop was led by the VP LOD. She introduced the 'Culture Web' as a tool for facilitating culture change in Greece, building on her success with the use of this framework in the UK LOC at the time of the Glaxo Wellcome/Smith-Kline Beecham merger.

Following an introduction to the Culture Web, the management team were tasked to brain storm, using sticky Post-it Notes, the various elements they believed should make up the central paradigm for the future GSK Greece organisation. They were then asked to cluster into groups by similarity the large number of Post-it Notes that resulted. They then had to give each cluster a compelling heading that could become one of the elements of their new paradigm. The outcome of this session was a completed central paradigm, describing the future Greek organisation, see Figure 4.

Since energy and enthusiasm for the process was high the management team went on to describe, in draft form, their ideas for what they would do in each of the circles of the web in order to achieve this new paradigm, see Figure 5.

In the final session of the workshop the managers agreed the next steps in the process. One of the key learning points from a similar and successful UK change process was the need to involve and engage all employees in the culture change process. Building on this, the proposal for the next phase was to invite all the direct reports of the management team, the middle managers of the organisation and the field-based first line sales managers from across Greece, which numbered in total about 80 people, to a two-day workshop. The purpose of the workshop would be to begin engaging this middle management population with the need for change and to seek their input in the design of the culture. The workshop was to be led by the management team, so they could role model the way forward, and reinforce their new collective way of working as a management team in a highly visible way. In order that they were equipped to run the workshop each management team member agreed to take the lead on one element of the paradigm. They would use the draft content of the circles they had come up with in the present workshop as a 'straw man' for the content of the interactive sessions with the middle managers.

The OD Director agreed to follow up 1:1 with each management team member before the next workshop to ensure they were confident of their role at this future workshop and capable of delivering what was required of them. The senior



Case study 2 (continued)



Figure 4 The paradigm

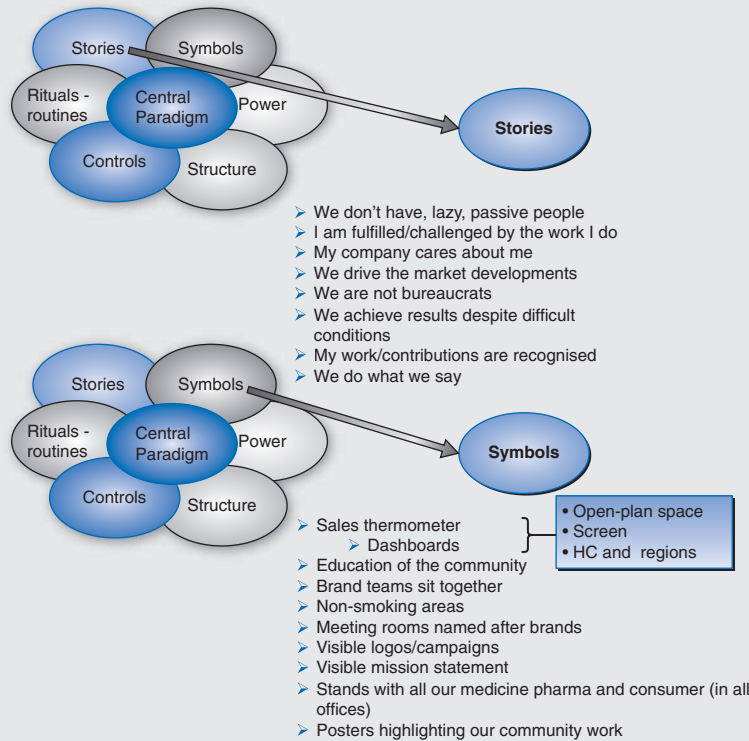


Figure 5 Examples of content of culture web

### Case study 2 (continued)

managers now had a cohesive view about the need for change, what the future looked like, and their role in the change process.

I would want the company to be ethical, transparent, go after our goals with passion, influence external environment, attract and reward the best people in the industry, be proud about what we do. All those components that we have summarise very well the new culture.

Trying to be more effective, create synergies, have departments work together, improve the internal information flow and communication, so that people are more aware of what's happening and empower people as well at lower level, give them accountability and give them the culture of taking more risks as well.

#### Workshop 3: engaging the middle managers

In June 80 middle managers met with the senior management team for a two-day workshop at a venue the senior managers considered to be attractive to indicate the importance of the work:

'We need to take our managers away to a nice hotel, it will symbolise that we recognise them and that they have an important role to play.'

'Symbols are important to culture change, therefore where we take our managers is a powerful symbol of how serious we are.'

The meeting commenced with George giving an overview of the agenda for the two days followed by his presentation. Then the VP LOD introduced the Culture Web and each member of the management team presented their element of the paradigm. Between workshop 2 and workshop 3 each management team member had worked with the OD Director on a five-minute presentation to describe the element of the central paradigm they had accountability for. The response from the audience was very positive:

'This is the first time I have seen GMT all working together . . . It was a very good session.'

'I have never seen my manager present like that before, I did not know he was so creative.'

'Mr K is so good, he is very passionate and he tells us much more than we used to be told by the previous GM - it makes me feel that he trusts us.'

For the remainder of the first day and until lunch on the second day everyone participated in Culture Web workshops. Six separate rooms represented the six different circles of the Web, i.e. a room for symbols, a room for power and so on. The middle managers were split into groups. A member of the management team or in some cases two working together ran each room as each group of middle managers rotated through. The Greek central paradigm was visible on a poster in each room and the purpose in each room was to answer the question, 'If we are to achieve our vision for GSK Greece and how we do things around here is represented by our central paradigm - what would we need to do in this circle in order to make this happen'. Subsequent to the meeting, the work from each of the rooms on each circle was pulled together to form a future web for GSK Greece, see Figure 6.

The final session of the second day, led by George, focused on the next steps. Firstly there was a call to action for all the leaders in the room to think about how they could begin to lead the change and role model new ways of working and thinking. This was facilitated by a simple process of asking each person in the room to fill in a postcard of their current location (a visual anchor) with their names and addresses and three things they would commit to do differently to change the culture in GSK Greece. These postcards were then collected in and would be sent back out to all the participants at a later date to remind them of their commitment to change. Secondly a decision was taken on what messages would be communicated to the rest of the organisation when everyone returned to their teams.

Post this meeting a debrief session was held with the management team to share feedback on how the meeting had gone and suggest some ways to take the work forward. What was also very clear was the reliance on George to lead the way from the top.

Already other elements of culture change that I can see are happening and I guess this has happened through role modelling and this probably starts through George.

The other driver is the new spirit that George has presented to the company, this was a very ambitious stake from George's part because he tried to inspire

Case study 2 (continued)

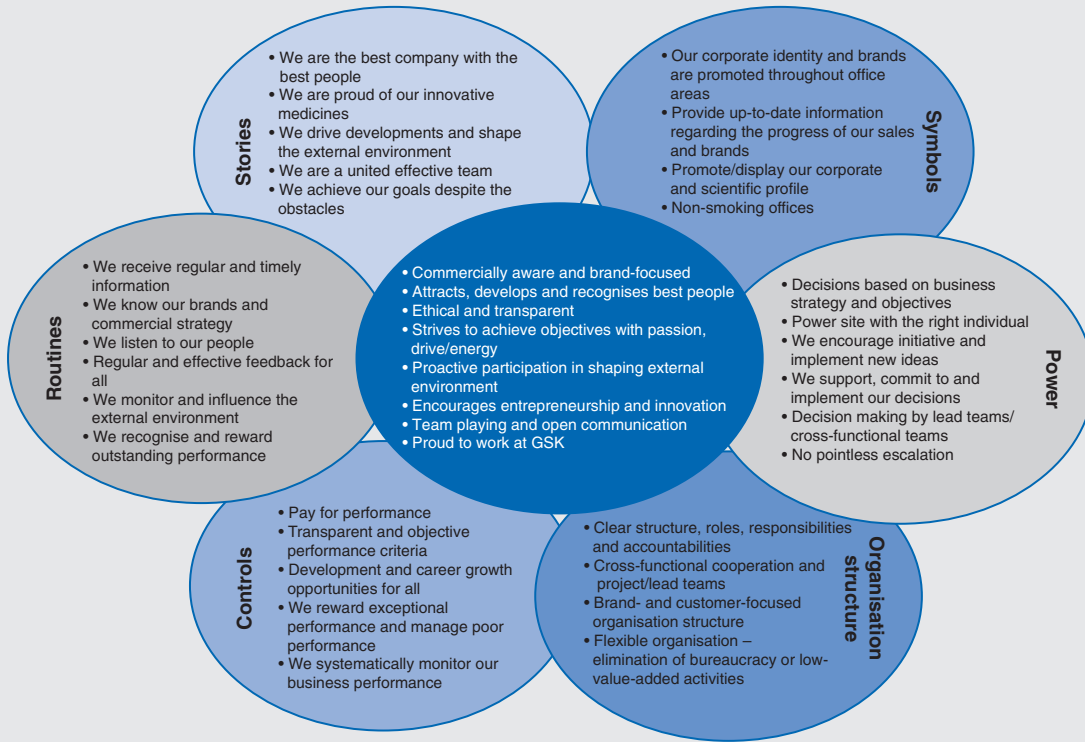


Figure 6 Future web

people in the new ideas in a very difficult period in time because there were changes, he was new, there was competition, we had legal actions, we had all the negative publicity with past performances, our products were not very new and we lost 3 places in the ranking which was negative and bottom line our sellers were not the best, . . . George managed successfully 80/85% to inspire and people now have something to look forward to.

Although strong leadership from George Katzourakis was going to be critical to the success of the change, for the change to be sustainable the ownership had to spread from George to the GMT and eventually across the whole organisation. This was going to be the challenge for the next phase of the change, and the development of the action plans and the involvement of the cross-functional teams were going to be the chosen way to build ownership for the changes across the organisation.

**Senior management changes**

During the period post the Cape Sunio meeting and the end of 2006 it became apparent to George and the HR Director that, although some of his management team members were capable of delivering what was required of them under the old GM and the old ways of working, they were struggling to thrive in the new environment, ‘some of the members in the management team are not 100% behind it, they are not really, genuinely behind it, they may tell you that they are, because they are so used to just doing the right thing, and saying the right thing, their heart is not in it.’ (HR)

In addition George had identified critical capability gaps in his management team that he needed to fill in order to achieve his vision for GSK. He had strong internal and external networks and he knew that he could find talented individuals from both internally and externally to GSK to work in his LOC so there was no apparent risk in making

### Case study 2 (continued)

changes to his management team. His greatest risk would have been to do nothing. He was also largely able to do this amicably. He was able to support one individual, delighted to be offered slightly early retirement after a long and distinguished career in GSK, to leave the organisation on a high note with great dignity and respect from the whole organisation, although one other had to leave voluntarily but less positively. He was able to repatriate a talented Greek employee from elsewhere within GSK who wished to return home to Greece and to recruit two other talented individuals from outside. George deliberately recruited individuals who already displayed the mindset required of the future organisation.

#### Development of the action plan

The first major output from the management team post the Cape Sunio meeting was the completed GSK Greece Culture Web, shown in Figure 5. The OD manager then worked with the management team to identify 17 projects which were to be developed to help with the implementation of the culture change. Subsequently, during the months of July through October, the management team began the preparation work required to launch these 17 projects, outlined below.

- 1 Objectives setting, evaluation and development system
- 2 Front line sales manager development programme
- 3 Clarification of incentive/bonus scheme
- 4 Improvement of our corporate performance monitoring system (KPIs)
- 5 Stakeholder mapping
- 6 Temperature check
- 7 Clarification of organisation structure, roles and responsibilities
- 8 Leadership development (band C population)
- 9 Recognition scheme
- 10 Eliminate bureaucratic and non-value-adding structures
- 11 Establish cross-functional team and develop ground rules for their operation
- 12 Re-organisation and new ways of working to address brand- and client-related needs
- 13 New ideas generation and implementation
- 14 My GSK capitalisation
- 15 Corporate social responsibility activities
- 16 Establish cross-functional team to increase brand awareness (including decoration of our offices)
- 17 No smoking policy

General principles for action plan implementation were also agreed to ensure consistency in implementation across the projects:

- We are ALL responsible for the implementation of the action plan.
- The communication of culture-related issues is not an exclusive responsibility of the management team – it is a requirement of all managers towards their team members.
- The elements of our culture transpire through our daily behaviour and work practices (role modelling).
- The action plan consists of a series of projects, which will lead to the implementation of our culture as this is delineated in the culture web.
- These projects have been divided into categories with respective priorities and estimated completion timetables. Each project involves cross-functional teams which take charge for its successful completion.
- Certain projects have overlapping areas, at which point cross-functional teams need to coordinate to avoid duplication.
- Each project team needs to brief periodically the management team regarding its progress and issue communication material addressed to the entire GSK staff.

Project 17, the 'No smoking' policy, was a particularly contentious project. Unlike almost all other LOCs in GSK, Greece still allowed smoking in the offices. This was evident on entry to the building as you were greeted by the smell, the discoloured walls and on a bad day a light blue haze. Almost all of the management team smoked. A notable exception was George Katzourakis. At workshop 2, during the conversation on symbols, a question was asked regarding the image GSK was portraying by

Case study 2 (continued)

allowing smoking in its offices, even though it was a major health company. After much heated debate it was agreed that doing something about smoking in the offices would be the correct thing to do, both for the image of GSK externally but also because it would be recognised as a significant symbolic gesture indicating that the management team were serious about changing.

The management team initially decided to create non-smoking areas within the building to create clear air rooms for the non-smokers. This proposal was challenged by a number of delegates at a following middle manager workshop, who had said that creating non-smoking areas wasn't going far enough and they proposed that GSK Greece, just like most of the other GSK offices, should become non-smoking with a smoking room for smokers within the building and alternative areas for smokers outside. The management team discussed the counter proposal and, although many of them would be personally impacted by the proposed changes, agreed that the middle managers were right.

**Call to action**

In November 2006 the management team invited all of the middle managers and all key commercial roles to a Change Management Action Plan Presentation. Building on their new ways of working each management team member presented a walk through and discussion of the plan for their respective projects resulting from the Culture Web. They were now ready for action and needed the whole organisation to join in. To do this they simply requested and encouraged individuals to volunteer to participate in the Project Teams of their choice. They were asked to go away and think about what they had heard, then if they were interested in participating in a particular project, to send their name to the management team member who was the lead for the project, to register their interest. The OD director explained how this process worked.

The response was overwhelming, with many of the middle managers volunteering to participate in four or more projects. In the end in order to keep the project teams to a sensible size the management team members had to allocate people to projects

ensuring that every volunteer was on one project from their chosen list. Each team used a standard template for their project charters and for status reports which enabled the progress of each project to be easily tracked. The management team recognised from the outset that many of the projects would take a number of months to complete and that the resources were not available to complete all projects simultaneously, as all of the project team members were working on the projects in addition to their main day jobs, so George Katzourakis and the management team made a strategic decision to phase the starting month of many of the projects. The outputs and timings of the projects were tracked on status charts that were made available across the organisation as a visible measure of how the changes were progressing.

In George's vision for the organisation, communication channels would be created across functions and up and down the business to increase transparency and foster engagement of the employees. Communication throughout the change to this stage had been open and transparent but more needed to be done to maintain momentum against the action plan. Thus the OD Director had designed a new process. She agreed a coordinated, multiple level approach. In January 2007, to put momentum behind this communication project, George presented the GSK Greece Culture Web and the whole change process to all employees, and then a number of follow-up communications were initiated, which included:

- regular updates cascaded to all teams via the team leaders at all levels in the organisation;
- GSK quarterly performance updates, communicated to all employees, by the GM, including a short culture change update;
- OD Manager presenting the Action Plan and the projects' status to Sales Forces across Greece;
- a new 'Recognition Scheme' uploaded to myGSK website;
- Front Line Sales Managers add the 'change management progress update' to their team meetings agenda;
- articles in the newsletter regarding the change activities.



## Case study 2 (continued)

In addition to the on-going communication all employees were invited to contribute any new ideas they may have to build on the work that was already happening to make the changes in GSK via a 'New Ideas' programme that was accessible to all. Come June 2007 as originally agreed, the postcards that were completed at the workshop were sent back to all managers to refresh their commitments made at the workshop. Enthusiasm for the change process remained high.

People in GSK Greece are young, why wouldn't they want a company like this, rather than the sort of despotic leadership that used to exist in companies.

'The future is ours . . .' with the changes put in place and the new products coming on line, GSK Greece is well placed to succeed in the market place. 'We are a step in front'.

In 2007 there was also a reorganisation and an office move. Brands were reorganised into four business units instead of two to create a more rational and coherent portfolio. As a result, there were now four business units (and four business unit directors on the management team). Head office had been split across two offices, with individuals co-located by function. The sales function were in a different, separate, smaller office. The office move placed the four business units in the main office and co-located sales, marketing and medical advisers in these business teams in the main office. Other functions (e.g. training) that did not need to be co-located for teamwork reasons were moved out to the other smaller office.

### 2008

However, in mid-2007, most projects were in their infancy, whereas by July 2008 progress was visible and tangible. Although the office building was the same, the physical surroundings had changed and the atmosphere was completely different. The reception had received a facelift, bright with flowers and a huge cabinet containing brands and pharmaceutical artefacts. Meeting rooms had been rebranded. Each room had been renamed after a major GSK brand and feature walls had been painted to match the colour associated with that brand, and new furniture to match had been provided for each room. There was a buzz around the building. More people

were out of their offices and talking to each other (in a smoke-free environment).

Members of the senior team believed they and the company had changed in many ways

I think that throughout this past 2 years, that there is a change in the environment and for me it is easy to see. One word, modernisation of a Greek company . . . It used to be like we were a Greek company. In a sense trying to identify differences and not similarities with the rest of Europe, it was like European things cannot work in Greece because of this and that, and you can always find some good reasons. I imagine every market has good reasons to find discrepancies with the European ways of working, but overall at the end of the day, you will find that they almost have identical plans and implementation that is European wide. So what to me is changing is the way of working, even meetings with people.

Focus groups with other members of staff revealed something similar:

We feel more recognised, I am told when I am doing a good job and I am told why I am doing a good job.

We have a much more focus on ethics and transparency and we all have a role to make this happen.

Communication is much more open, I understand what the decisions are and more importantly why the decisions were taken and then I can work with my colleagues to act on this . . . not just the people in my team but across teams up and down the organisation.

There was clear agreement that the momentum behind the changes had started with and been driven by George, but now had moved not just to the management team but also across the organisation.

In the beginning the changes were down to George Katzourakis and his leadership style. His leadership is critical. Now there is momentum behind the changes from the senior management team - If George Katzourakis left tomorrow it would continue.

Although changes had progressed very well in the head office in Athens, still more work was needed to support the changes in the field force,

'Culture change is very obvious here in Athens especially within the management team and their direct reports but needs further effort to support the

### Case study 2 (continued)

changes further down the organisation especially in the field force’.

In addition, there was a shared view that there were still a few people who were resistant to the change and the feedback to the management team was that the time was right to tackle these head on.

I believe these changes are the right thing to do and there are still a few people who you hear talking about it being wrong and they can cause problems to our change – the management team needs to sort this.

I think I read someone say that you need to get the right people on the bus and get the wrong people off the bus – now is the time to get the wrong people off the bus.

#### Postscript

In September 2008 George was interviewed for the GSK Pharma Europe News and he described the journey GSK Greece had made. Extracts include:

‘The business was underperforming,’ he says. ‘We weren’t extroverted enough in either the external environment or internally in GSK. Entrepreneurship and innovation weren’t part of our culture and departments were working in silos’.

‘I wanted to make the company more professional and brand-focused. We started with some key new appointments to the management team, and have since moved step by step through the rest of the organisation to build a new culture and new ways of working’.

The process isn’t complete, George Katzourakis says, but he’s delighted with progress to date. ‘Our success is reflected in what our staff tell us through employee surveys, in the way we contribute to European projects and networks, and in the way we are perceived by authorities, stakeholders and the industry. We

are also hitting our sales targets in what is, by any measure, a tough market environment’. There is also now a high level of corporate and individual external representation of GSK with government and health authorities. George Katzourakis is a VP of the Hellenic Association of Pharmaceutical Companies and has led the revision of the Code of Practice and its Public Awareness Campaign. And he and his team are working with the Global Community Partnership team to identify a local children’s health programme that would benefit from the company’s support.

In 2009 GSK Greece entered the Greek Great Place to Work award run by the Hellas Institute (BEST WORKPLACES HELLAS 2010 List has been created by Great Place to Work® Institute Hellas with the academic cooperation of ALBA Graduate Business School) and were awarded second place. First went to Coca-Cola. They were ranked ahead of other pharmaceutical companies in Greece such as Astra Zeneca and Abbott, a real achievement and an indication of how far on their change journey they had travelled.

#### Assignment questions

- 1 In 2006, at the start of the change process, what was the change context for GlaxoSmithKline Pharma Greece?
- 2 What were the design choices taken? Were they appropriate and why?
- 3 Map out the change process between 2006 and 2008 in terms of the Mobilise, Move and Sustain framework and the different interventions in the different four subsystems (technical, political, cultural and interpersonal).
- 4 What are the strengths and weaknesses of the change approach adopted? What has been achieved?
- 5 What recommendations would you make to embed and take forward the transformation in 2008?

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