

Change management: — Questions to Ask —

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McKinsey estimates 70% of change initiatives fail.

Life is like underwear, change is good.

— Change is good. —
— Yeah, but it's not easy. —

To improve is to change.
to be perfect is to change often

Winston Churchill

Source: Mavim (2015).

Change Issue

A lack of clearly defined milestones and a lack of or insufficient commitment by senior management have increasingly become recognized as the leading causes of failed change initiatives.



1. Why do we want to change?



Organizational effectiveness

"... seen through **return on equity [ROE]** and **turnover** (Vandenberg, Richardson & Eastman, 1999).

"... if one communicates with and involves the **group** rather than individuals" (Cummings, Bridgman & Brown, 2016).

"Every business executive I meet has always had a simple goal for themselves and their organizations: **stability**" (Goncalves, 2007).

"The **narrow pursuit** of shareholder value was the dumbest idea in the world"
— Jack Welch (Financial Times, March 2009)



Key takeaway: Organizational effectiveness has no universally accepted theory or definition. It is important to focus on how organizations structure, organize and run themselves appropriately to achieve their goals.

Communication of 'why'

Private sector	Competitiveness
Public sector	Value for money
Third sector	Care, health, wellbeing of society

77% of workers at "high effectiveness organizations" say managers explain the reasons for change well, versus only **7%** at "low effectiveness organizations" (Everwise, 2016).

Key takeaway: Failure of communicating the 'why' results in confusion among employees about the change initiatives, and leads to failure of change initiatives.



Key takeaway: Change has to fit and achieve balance between the formal organization, strategy, culture, people, and critical tasks.

2. Individual, group or system change



Individual Change

INDIVIDUAL PERSPECTIVE SCHOOL

2 specific fields of study in terms of behaviour related to individual change.

Behaviorist Psychology
- interaction with external environment, manipulates behavior
Gestalt-Field Psychology
- totality of coexisting and interdependent forces

Group Change

THE GROUP DYNAMICS SCHOOL

Lewin and Schein argue that modifying group behaviour is the best way to improve performance.

Focus of change must be at group level and should concentrate on influencing and changing the groups norms, roles and values.

System Change

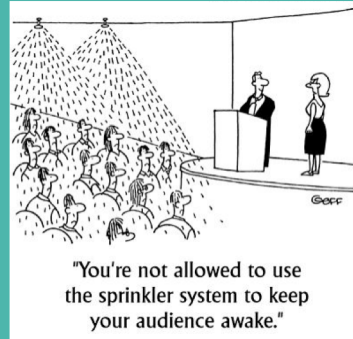
THE OPEN SYSTEMS SCHOOL

Looks at the organisation at the "entirety" and is about managing change from a systematic perspective.

1. Organisational goals and values subsystem
2. Technical subsystem
3. Psychosocial subsystem
4. Managerial subsystem

Key takeaway: All the three aspects are important forms of change, which of these three is the lynchpin that holds together others is the subjective issue.

Quiz Time



"You're not allowed to use the sprinkler system to keep your audience awake."

So what do we focus on?

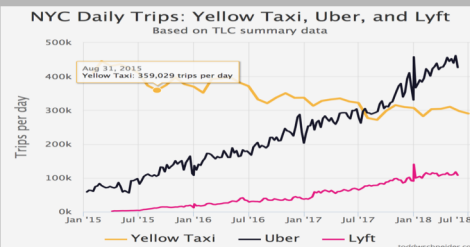


Key takeaway: Organisations are social and technical systems which require individuals and groups to work together effectively if the system is to achieve its goals. Depending on the situation, the main focus of the response will be at the individual, group or system level, they cannot be seen in isolation from each other.



Vs

UBER



Schneider, T. W. (2018)

Key Takeaway:
Resistance to change can
result in failure of many
organisations!

The greatest impact on a major change effort's outcome comes from ownership of and commitment to change.

% of respondents, n = 2,079

Factors most responsible for change outcomes, past 5 years

Clear, organization-wide ownership of and commitment to change across all levels of organization

Successful change efforts

67

Unsuccessful change efforts

65

Ability to focus organization on prioritized set of changes

53

44

Sufficient resources and capabilities to execute changes

48

46

Clear accountability for specific actions during implementation

47

50

Continuous improvements during implementation and rapid action to devise alternate plans, if needed

39

29

Planning from day 1 for long-term sustainability of changes

32

36

Effective program management and use of standard change processes

30

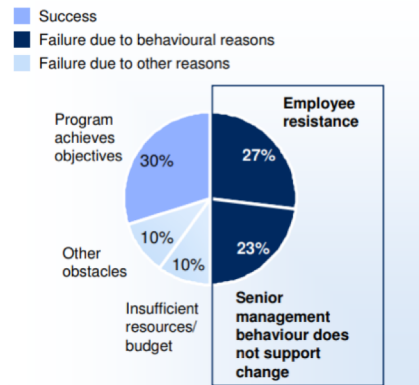
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*Respondents who answered "don't know" are not shown.

McKinsey & Company

Source: Johnston, A. (2017).

Transformation success rate and reasons for failure

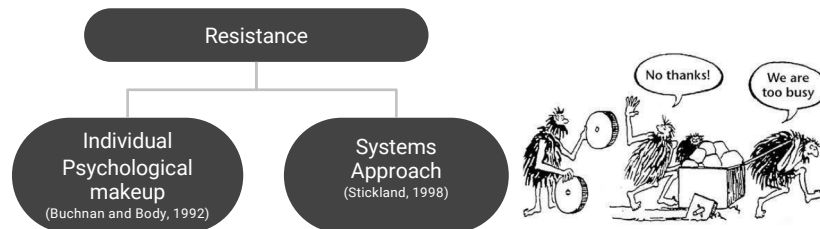


Source: McKinsey (2011).

3. Resistance to change



What are the sources of Resistance?



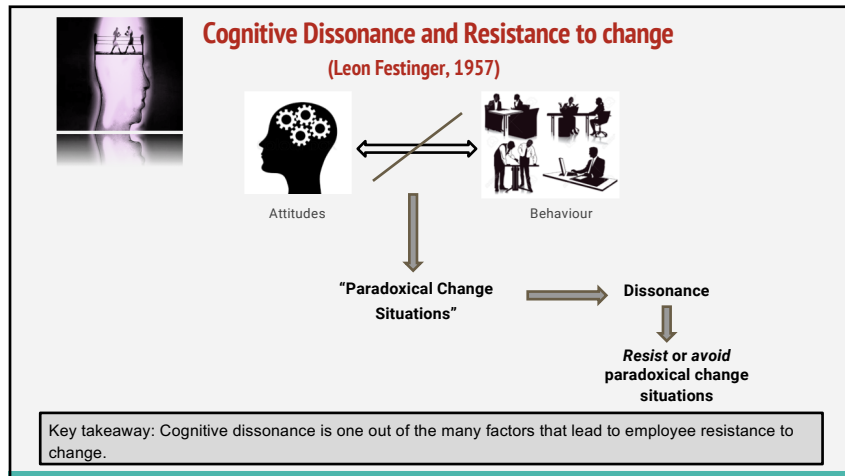
Key Takeaway: Resistance may arise from an individual employee or from the interplay between individuals and organisations.

Four Theories on Resistance

- 01 Cognitive Dissonance** Dissonance caused due to inconsistency between attitudes and behaviours result in resistance
- 02 Depth Intervention** Level of employee participation in the change decides the impact of resistance
- 03 Psychological contract** Resistance arises from situations where organization creates conflict between perceived fairness and adopted policies
- 04 Dispositional Resistance** Resistance arise from individuals who are naturally resistant to change

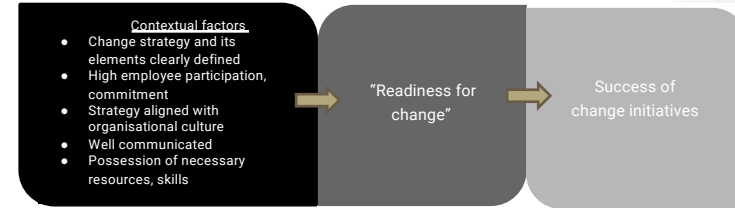


Key Takeaway: Resistance that arises from the interplay between individuals and organizational systems can be explained using four theories.



Are we ready for change?

Preventing resistance and making an organisation ready for change!!



Questionnaire surveys → Employees' views and opinions → Readiness for change (Hartley, 2001)

Key takeaway: It is important to have developed certain contextual factors and based on modern research, have inquired employees' opinions (through methods such as survey) to make an organisation "ready for change" which is the main factor that determines success of any change initiative.

But, resistance may not always be wrong!

If change problems are constantly toppled by resistance from employees, then the problem may not be the individual employees or the system as a whole, but the change model adopted (Tams, 2018).



Key Takeaway: Resistance can mean that there are flaws in the change initiative, which managers have to look into instead of considering all resistances futile.

4. Managing the Change process



Who will manage the change process?

“Change Agent”



Organisational Development Approach

OD-type change agent acts as 'prime mover' (person who makes changes happen)

Contingency model (Four models of change agents)

1. Leadership model
2. Management model
3. Consultancy model
4. Team model

Key Takeaway: There can be one best type of change agent or many agents depending on the situation to manage the change process. However, many argue that multi-level nature of change means that it cannot be left to a few managers, instead **it's everyone's job**.

Do change agents have appropriate skills?

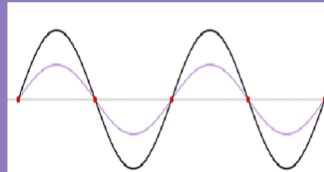


- ☐ **Diagnostics skills** to identify organisation's readiness for change and plan change initiative accordingly (Buchanan and Body Model)
(i.e. Understanding past critical events and its effects, ability to categorize nature of organisation and understanding how it will impact the change initiative, etc).
- ☐ **Innovative and creative skills** (Mirvis, 1998)
- ☐ **Language interventions** (Weick and Quinn, 1999)

Change agents who lack appropriate change management skills may not be able to successfully advice and guide relevant employees towards achieving success in change efforts (Everwise, 2016).

Key takeaway: Individuals who initiate and manage change within an organisation should have a set of necessary skills, talents and qualities.

5. Frequency and magnitude of change



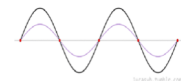
Frequency of Change



Implementation of major changes = strategic driver

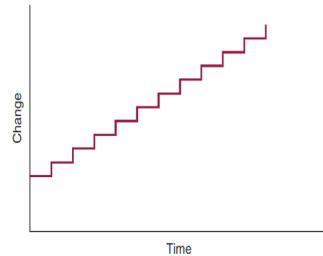
Successful implementation of strategic change can reinvigorate a business, HOWEVER, failure can lead to catastrophic consequences (Sonenshein, 2010).

An organisation can use different frequencies of change.



Key takeaway: The frequency of change should fit the pace of the organization for effective implementation.

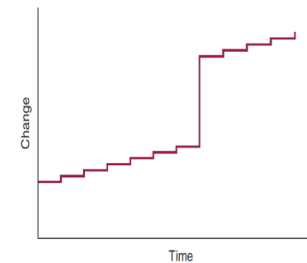
Incremental Model of Change



- Individual parts of organization deal incrementally and separately with **one problem** and **one goal at a time**.
- Avoids:
 - Stagnation engendered by fine-tuning
 - Brutality associated with rapid corporate transformations
- Japanese companies famous for achieving fierce competitiveness through pursuing incremental change year in, year out.

Key takeaway: Incremental change involves dealing with one problem and one goal at a time.

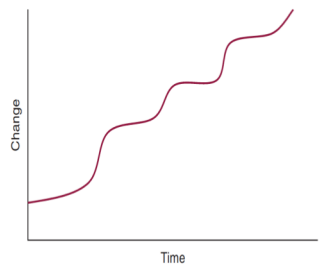
Punctuated Equilibrium Model



- Company achieves a sudden burst of change (revolutionary period) after long periods of stability (equilibrium periods).
- Revolutionary periods disrupt previously established patterns of activity and introduce new ones due to modifications in environmental or internal conditions (i.e. new technology, redesigning etc.)
- However, little research provided empirical validity of the model's basic arguments. Research suggests punctuated change may even eliminate competence and appropriateness, leading to an organization's eventual collapse.

Key takeaway: Punctuated change involves sudden burst of change after long periods of stability.

Continuous Transformation Model of Change



- Environment changes rapidly, radically and unpredictably. Organizations continuously change and adapt to survive.
- Applicable for organisations that develop new products. It is embedded in their culture to embed and enhance radical change.
- Problems:
 - Unclear that we can readily apply theories from the physical sciences to the social sciences.
 - Few empirical studies to support the complexity view.

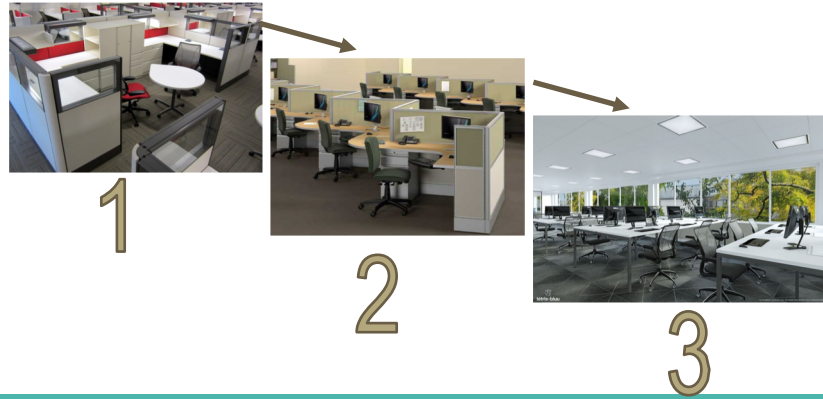
Key takeaway: Continuous change are for organizations' survival in a rapid, unpredictable, and radically changing environment.

What frequencies are required for us to survive?

- The frequency and magnitude of change is **unique** to each organisation. For some, it may be relevant to use the punctuated equilibrium model where they make infrequent adjustments, this may be work for some organisations and not the rest.
- Other organisations may have to implement radical and frequent change in order to remain **competitive** and not be overtaken by their competitors, this is applied mostly to large scale organisations.
- **HOWEVER**, organisations need to **adapt** to and **modify** their environment to sustain in the dynamic competitive environment.

Key takeaway: Recommended frequencies and magnitudes of change depend on the type of organizations.

Organisational Example



Conclusion

1. The 'why' of change has to fit the organization itself and be communicated effectively to the employees.
2. Individuals and groups must work together effectively for change initiative to work. The main focus of the response is contingent on the individual, group or system level, they cannot be seen in isolation from each other.
3. Employee resistance must be considered and its source identified, to ensure the readiness of employees to change.
4. The number and type of change agents are contingent on the change process and their essential skill set.
5. Frequency and magnitude, there are three types of frequencies; incremental model of change, punctuated equilibrium and continuous transformation model. There is no one particular model that is correct for the organisation. All the three are interconnected models of change.

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