



Change Management: Mission Impossible?...

(A lighthearted story on a serious topic)

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Many academics argue that between 50 and 90% of change projects fail to deliver stated business benefits.

On her day off Stella was not in the best mood. It was less than two weeks before the assignment submission deadline, but she still had not decided how to go about it: to write it the usual 'MBA style' or to take a challenge and 'go creative'?

In fact, Stella felt some resentment towards the challenge itself. It was not that she did not 'do creative'; it was more about her fear of unknown, the fear of losing the safety of routine - the fear of change. She had read a few articles about resistance to change before and was able to recognise the tell-tale symptoms of resistance not to change per se, but rather to the uncertainties and potential outcomes that change can cause [1].

While heading to a lunch with her girlfriend Jane, Stella listened to the argument between the 'creative' and 'safe' voices in her head. Surprisingly for her, the 'creative' one had won by the time she reached the cafe, but this presented a new challenge: what genre to choose?

After usual pleasantries and a bit of gossip, Jane said: "Come on, Stella, tell me what is bothering you? Surely there is no UFO in your salad, so stop searching and eat!"

"The only UFO I ever found in my salad turned to be a greenfly", smiled Stella, "but now I have a proper bee in my bonnet! I have to write an assignment about the huge failure rate of change projects in some sort of creative way – like a play, or an e-mail exchange or something else."

"Hey, that's easy. Just go to our strategic improvement board meeting and record verbatim what they are discussing – you will write the best comedy of errors ever. It's not surprising that every other initiative is failing."

"Actually, our company is not that bad. Recent research indicated that organisational change programmes rarely achieve the desired results. Many authors argued that they often fail or even make the situation worse and quoted failure rates between 50% and 90%" [2].

"You are kidding, right? The spread of figures seems to be too wide to be true."

"I thought so myself at first. But then I read about one interesting systematic study which compared 49 published reports of the success of organisational change, representing over 40,000 organisations [3]. The author, Martin Smith, came to the conclusion that published success rates vary significantly per type of change. For example, he found that culture change programmes fail much more often than strategy implementations and redesign projects. Also, the older findings on success rates for certain types of change may differ from more current findings (he attributed this to contextual factors and/or improved state of the art). Smith found that success rates heavily depend on the success criteria used. In general, his study showed that more broad criteria such as financial performance and shareholder value

tend to show higher success rates than more behavioural measures such as client satisfaction or management behaviour. And, of course, vested interests of people reporting the research may downplay actual success rates. Reported low success rates could be very handy when consultants are trying to sell different change methodologies and support packages” [4].

“Still, it does not sound particularly encouraging. Why anybody will even consider change if they are more likely to fail than to succeed? It really is mission impossible!”

“Yes, it can put some people off to start with. But worse, thinking that organisational change is almost guaranteed to fail can create a negative expectation of success, lead to paralysis, wrong decisions and wrong measures, thus becoming a self-fulfilling prophecy. However, change is inevitable. Many organisations have to embrace change in order to gain strategic advantage or, sometimes, just to survive.”

“I suppose, there is one good thing about all this doom and gloom – you can learn from somebody else’s banana-skin moments. Failure is certainly more fun to read about than success [5]. So, why do change management initiatives fail so often? Who are the usual ‘murder suspects’ in change management?”

“ According to the literature I read, the simple answer to your question is: ‘It depends.’ There are so many things and their combinations that can hinder the implementation and success of change initiatives. For example, Buchanan and his colleagues identified 11 sets of factors that can affect change. They defined those factors as substantial (perceived centrality, scale and fit with organisation); individual (commitment, competencies, emotions and expectations); managerial (style, approach, preferences and behaviours); financial (contribution, balance of costs and benefits); leadership (setting vision; values, purpose, goals and challenges); organisational (policies, mechanisms, procedures, systems and structures); cultural (shared beliefs, perceptions, norms, values and priorities); political (stakeholder and coalition power and influence); processual (implementation methods, project management structures); contextual (external conditions, stability, threats and wider social norms) and the last but not the least – temporal (timing, pacing, flow of events). Apparently, the outcome of change will depend on the configuration of those factors and on their interplay with other internal and external contextual properties over time [6]. We also should not forget that planned change initiatives can fail just because it is not an appropriate change. And, as Ian Palmer and colleagues pointed out, if this is the case, the organisation needs to ‘own up’ to a failed change and to learn from it rather than try to rectify the problem or look for a scapegoat. [7]. There are now quite a few theories around that are trying to explain why change fails. For example, Michael Beer and Nitin Nohria attempted to crack the ‘Code of Change’ by using theories E and O” [8].

“What ‘E’ and ‘O’ stand for?”

“‘E’ stands for a planned change theory which focuses on rapid, dramatic and painful ‘top-down’ changes that may be needed to increase economic value or deliver savings, which cannot be achieved through long term measures.”

“Those would be the favourite ones of our Finance Director, Dave. If he could get his way, our company would have a handful of monkeys working 24/7 and being paid peanuts!”

“You’re right there. But although planned change is appropriate when the organisation is in crisis and quick action is required, you cannot get far on the ‘hard’ approach of the E theory alone because there is a danger of undermining the psychological contract of trust between employees and management which is crucial for the success of long-term change. This is where the O theory (‘O’ stands for organisation development/capabilities) comes in. It focuses

on gradual and incremental improvements, building trust and commitment, and the development of human competencies. This 'soft' approach to change works best when value is placed on enhancing the organisation's ability to innovate" [9].

"Claire, our Head of HR, would love this O theory. She is constantly getting into trouble with Dave when they are discussing our Corporate Transformation and Improvement Strategy. Claire is arguing that we need to encourage participation from the bottom-up, to innovate and evolve, build up corporate culture, motivate through commitment, use pay as fair exchange and use consultants to build capacity rather than solve problems. Dave argues that all this 'fluffiness' takes a lot of time, costs a lot of money and does not guarantee success anyway. He says that our duty as managers is to maximise shareholder value, that we should plan well, manage change with the 'iron fist' from the top down, act swiftly, rely on reason and not emotions, introduce 'lean' systems and processes, apply financial rewards system smartly and use consultants to analyse and solve problems [8]. Feathers are flying at our meetings, believe me! Why can't they meet somewhere in the middle?"

"If only it was that simple. Beer and Nohria warned that unless theory E and O strategies are handled very carefully, melding them together is likely to bring the worst of both theories and the benefits of neither. The corporate changes they studied demonstrated that ad hoc mixed E and O strategies and techniques just destabilised organisations in which they were imposed. In order to deal with contradictions between E and O, Beer and Nohria suggested to sequence E and O or, even better, to apply theories E and O together by integrating them. They argued that although simultaneous implementation of E and O requires great will, skill and wisdom, it is more likely to lead to success and ensure a sustainable competitive advantage [8]. But another author, Nigel Leppitt, highlighted a number of weaknesses of their integration model. For example, that it is too simplistic and lacking a clear linkage between corporate strategy and the change approach. He suggested a new integrated model based on the contingency approach with its idea of 'no one best way', and added several new critical success factors to the integrated model of Beer and Nohria to make it more flexible and to adapt it to contextual diagnosis [10]. A number of other academics share the view that one size does not fit all and therefore emphasise the role of organisational learning as one of the crucial factors of successful change. They argued that a theory C (continuous changing and constructing realities) may help to understand why change initiatives are rarely fully implemented and why many change programmes fail to achieve intended results" [11].

"Well, this theory C sounds rather familiar. As soon as we get our heads around one change, make sense of and learn to cope with the new reality, another one or a bunch of them (at times it feels that they come in herds) are emerging. And hey presto! Everything is thrown up into the air again and we are trying again and again to make sense of the mess. Don't you think it could be really confusing? Everyone has a different viewpoint and a different story to tell. It is just like a group of blind men exploring and describing an elephant! You cannot get far with this. And another thing, people are very cagy about their knowledge in times of change and uncertainty. And what about the financial 'bottom line', the politics and power struggle? The C theory seems to miss the point there. Surely, if those issues are neglected, the change initiative will fail."

"I think you are right there. In fact, all three theories have their limitations [13]. For example, according to Boonstra, theory and practice E underestimates value differences, creativity in people and other 'soft' factors. This can lead to resistance and avoidance, superficial change, management practice based on control and intervention. The O theory and practice may underestimate the importance of conflict, institutional control, how values are embedded in

autocratic management and positional organisation. This can lead to inertia during changing and learning, and failure in delivering sustainable changes [14]. Michael Beer and his colleagues argued that most change programmes and initiatives don't work because they are based on a theory of change that is fundamentally flawed. [15]. But Boonstra pointed out that all theories provide managers with methodologies and strategies that are applicable in specific contexts but could be completely useless in other contexts. [14]. Buelens and Devos identified four main change strategies for specific situations. They argued that change in traditional settings requires a combination of action planning and strong leadership; the context of crisis and high pressure needs a planned approach and project management; change in professional setting will demand strategy based on participation and negotiation with an element of action planning; and that in an experimental setting a development approach based on a joint process of problem identification and problem solving will work best. Having said that, they also acknowledged that even the selection of an appropriate strategy can still result in change failures when the choice of change strategy is too one-sided and the opportunities for integrating different strategies are missed [16]. There is one model though which seems to address those shortcomings. But I have probably bored you to death by now with all my study talk?

"Actually, no. I find it rather interesting. Let's order coffee and something bad for our figures and you can tell me about this wonderful model."

When coffee and delicious cakes arrived, Stella continued: "The model I have mentioned earlier is called a congruence model. It was developed by the consultant David Nadler. He identified the following main aspects of the organisation which should be engaged and focused upon during the change process: tasks (the work to be done and its crucial characteristics), individuals (who are to perform tasks), formal organisational arrangements (including various structures, processes, systems etc. which are designed to motivate and facilitate people in the performance of tasks) and informal organisational arrangements, also known as culture (including patterns of communication, power and influence, values and norms which characterise how an organisation actually functions). According to Nadler, if those four aspects are not congruent, i.e. do not reinforce and complement each other, then the change cannot succeed. His hypothesis is that organisations will be most effective when their major components/aspects are congruent with each other [17]. Like other proponents of contingency approach, Nadler argued that there is no single best organisational design, management style, or method of working. His model recognises that people, tasks, structures, strategies, and cultures may be very different in different organisations and that different patterns of organisation and management will be most appropriate in different situations. It also helps to understand that organisations, as systems, are resistant to change."

"So, it is not just naughty Joe Blogs throwing a spanner into the woodwork?"

"Well, according to Nadler, changing one component of an organisation may reduce its congruence with other components and unbalance the system, leading to an energy developing in the organisation to limit, encapsulate, or reverse the change. He pointed out at three main problems which can affect success rate of any organisational change. Those are resistance to change (relates to individual component); issues with organisational control (it is only too easy to lose it during a change, hence appropriate organisational arrangements should be designed for the transition period); and power (organisational politics, the reactions of the informal organisation/culture to change). Nadler pointed out that for a change initiative to be effective, all those three problems must be addressed. He also argued that managers

need to be diagnostic in their approach to the problems of managing change” [17].

“I don’t think many managers are aware about Nadler’s model or ‘do diagnostic’. I certainly have not heard about it until today. Having said that, it does make sense to learn more about managing change effectively. I have read somewhere that embarking on a major organisational change programme in a company is rather like a surgeon trying to perform a complex operation on a patient who is not under an anaesthetic and is still running about [18]. I really would not like to kill the patient or harm myself in the process!”

“Nadler’s model is not the only useful one, although it is my favourite by far. There are many others around as well. Each one of them could offer us a different perspective of the operation of an organisation and could be more appropriate in certain settings than in the others. I actually like this analogy with the surgeon and the patient. It does not matter how skilled the surgeon is, how well equipped the operation theatre is and how desperate the patient is to have this surgery done. Until the ‘missing link’ (the anaesthetist) appears on the scene and puts the patient ‘under’, the successful outcome of this surgery would be very questionable. But even with the anaesthetist in place, not all surgeries are successful and not all successful surgeries lead to a full recovery of a patient. Once again, success for the patient will depend on many internal and external factors.”

“So, did I understand you correctly that, according to the current research, no single factor is generally responsible for change failure, and that relevant factors include the nature of change, the context in which it occurs, the way it is managed and the way it is perceived? And one more thing, it is not just the factors themselves, but also their combinations which will determine whether or not change will fail?”

“Yes, that’s right.”

“In this case, is it at all possible to get everything right?”

“I think that in the management of change nobody can do everything right every time. There is no ‘golden book’ of universal rules, strategies and techniques in change management or ‘off the shelf’ solutions to change management problems. The theories I have mentioned and many others that I have not, make it clear to me that managing change is as much an art as a science with many tensions and problems still unresolved and many questions still unanswered. The best way to master this art and science is to learn by doing and this includes making mistakes and failing as well as meeting expectations (although, it is always better to learn from mistakes of others).”

“I cannot agree more”, said Jane. “By the way, what you are going to do about your assignment? Have you decided on the genre?”

“Actually, I have. I will write up what we have been talking about.”

“Good luck with that. Just make sure that I don’t look like a Bimbo in your story! Anyway, I have to run – yet another strategic improvement board meeting to attend. I plan to show off and tell them about the O, E and C theories and the congruency model! Thanks for enlightening, Stella, and see you soon.”

Stella re-read her assignment before sending it off. “What the success rate of this change would be, I wonder?” she thought. “I guess, I will have to wait for mark and see”.

She uploaded her assignment on her university website and pressed ‘Submit’.

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