

CHAPTER 6

Managing Change

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LEARNING OUTCOMES

After reading this chapter, you should be able to:

- explore the nature and types of change
- examine the context, process and content of change
- explore and examine change interventions
- examine change leadership and change capability
- examine the role of HR and change.

OVERVIEW

Change continues to take a front-of-stage role in both academic research and industrial practice. Whilst it is difficult to gain a universally accepted definition of change, we are reminded that change management is not a distinct discipline with rigorous and defined boundaries, but more that the theory and practice of change management draws upon a number of social science disciplines and traditions (Burnes 2004). This chapter encapsulates the major theories in the field of change, adopting a strategic perspective, and considers how HR can impact upon change in organisations.

The appropriateness of change planning and intervention is dependent to some extent on how we fit theory into practice, and vice versa. Grint (1997, p1) sums up the argument particularly well:

Theory is where you know everything and nothing works;

Practice is where everything works,

But nobody knows why;

Here we combine theory and practice:

Nothing works and nobody knows why.

Whilst it is unlikely that any one change model fits perfectly, there is scope to consider a more hybrid approach to change. There needs to be a move away from 'static' models of change, which stress the content and substance of change (Nelson 2003), to the dynamics of change, with the expectation that change occurs within a less certain environment,

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where flexibility is required to maintain or enable competitive advantage. These issues are explored throughout this chapter.

INTRODUCTION

DEFINING CHANGE AND CHANGE MANAGEMENT

Small-scale and relatively simple change, typically categorised as 'hard' problems, are usually managed within the day-to-day operational management activity. This type of change is not usually referred to as 'change' by managers, and the process of managing it is not described as 'managing change' or 'change management' within organisations.

Managers have to consider the many factors involved in a complex and dynamic situation before making decisions that implement actions that will influence the effectiveness, efficiency and ultimately the sustainability of their organisations.

Brech (1975, p19) defines management as:

A social process entailing responsibility for the effective and economic planning and regulation of the operations of an enterprise, in fulfilment of given purposes or tasks, such responsibility involving:

- (a) Judgement and decision in determining plans and in using data to control performance and progress against plans;
- (b) The guidance, integration, motivation and supervision of the personnel composing the enterprise and carrying out its operations.

Brech describes the four main elements of management as being planning, control, co-ordination and motivation. Fayol (1949) describes the function of management in similar terms, proposing five elements of management: planning, organising, commanding, co-ordinating and controlling.

Management can be described as, essentially, an intervention for controlling operational performance outcomes in line with an organisation's purpose and objectives.

In carrying out their responsibilities, managers deal with change on a day-to-day basis, which raises an interesting question: when does management become 'change management'? Is this purely an academic question (it will be for many managers), or is it helpful from a management and organisational perspective to understand what, if anything, differentiates the two?

Change may be defined simplistically as making things different, but needs to make explicit mention of actual and perceived change(s). Fincham and Rhodes (2005, p525) define change management as 'the leadership and direction of the process of organisational transformation – especially with regard to human aspects and overcoming resistance to change'.

The Society for Human Resource Management defines change management as:

The systematic approach and application of knowledge, tools and resources to deal with change. Change management means defining and adopting corporate strategies, structures, procedures and technologies to deal with changes in external conditions and the business environment. (www.shrm.org/templatestools/glossaries/hrterms/pages/c.aspx [accessed 30 May 2013])

Therefore, managing change or 'change management' is a form of management control through the application of systematic management interventions that involve people to achieve a desired future state with defined performance outcomes in line with the organisational strategy.

From this definition, it is clear that there is a strong and inextricable link between organisational change, performance and strategy.

TYPES OF CHANGE

Dependent upon the perspective that has been adopted, a variety of models and concepts can be utilised in order to consider the types of organisational change. This chapter will consider the level of change, the size and scope of change, the nature of change and the momentum of change.

THE LEVEL OF ORGANISATIONAL CHANGE

Carnall (2003) suggests that there are three levels of strategic change. Firstly, organisation-specific changes, such as a new information system. Secondly, generic organisation-wide change programmes, such as business process engineering (BPR) and thirdly, generic multi-organisational change programmes, for example, mergers and acquisitions.

THE SIZE AND SCOPE OF CHANGE

Child (2005) provides a useful model on how to differentiate between the scope of change and type of change – see Figure 6.1.

Figure 6.1 Child's approaches to organisational change

Approaches to organisational change			
Planned		Emergent	
Radical	BPR	Organic development (eg start-up company)	whole org.
	Merger of departments	Changes to selection of new members made by teams	part org.
Incremental	Annual targeted improvements	Organisational learning	whole org.
	Changes agreed in staff performance plans	Continuous improvement through project teams	part org.

It must be borne in mind that whilst radical and incremental change may be defined and measured, that often it is the perceived scale of change that may be more important than the 'actual' scale of change.

THE NATURE OF CHANGE – PLANNED OR UNPLANNED?

Whilst it may be assumed that all organisational change is both rational and planned, with control of nearly all processes and resources, there may be occasions when a less planned and logical method may be adopted. A parallel argument is one of adopting an organic approach to change (Burns and Stalker 1994) versus an expected mechanistic approach. If

it is assumed that change can emerge, then one approach by management may be to throw a metaphorical hand grenade into the organisation, and then see what emerges.

For example, an organisation may deliberately set about rumour-mongering around restructuring and job cuts, then formally notify employees that all jobs have been red circled and that employees have to make applications for new posts. During this time, communication and consultation is deliberately kept to a minimum. Management then see what emerges after a period of time. A less contentious scenario could also be envisaged, where the management of an organisation simply let things run, without obvious intervention.

Change models tend to centre around planned change, which in itself will determine the various factors or characteristics that are then compared to, for example: strategic/tactical and operational change; radical, transformational and incremental change; the rate of change (change momentum); and hard versus soft change.

However, complex large-scale change, usually driven by external factors and having a significant 'soft' change element, are planned and co-ordinated. The terms 'managing change' or 'change management' can be used to describe the application of systematic interventions to implement a planned change within organisations to achieve a desired future state. In the following section, several key change management models are considered.

The nature of change – hard and soft change

The 'hard' elements of change are the tasks within change management, which are defined and measured. 'Soft' factors, such as culture and motivation, may be more difficult to assess. Emphasis may be placed upon managing task factors at the expense of soft factors during change interventions; however, Sirkin *et al* (2005) argue that four hard factors correlate to the outcome of change interventions, namely: duration (length of time); integrity (reliance on managers); commitment (of all involved in change); and effort (within the opportunity of time allowed).

When characterising change, we have considered the speed and magnitude of change, and related this to the problem of complexity. The problems that change present to an organisation can be perceived by managers as 'difficulties', which are 'bounded' in that they can be well defined (specified) and can be dealt with without involving or impacting on the wider organisation.

Another category of problems are those which cannot be well defined and are 'unbounded' in the sense that the wider organisation is implicated and needs to be involved in dealing with these types of problems.

The nature of change – top-down versus bottom-up

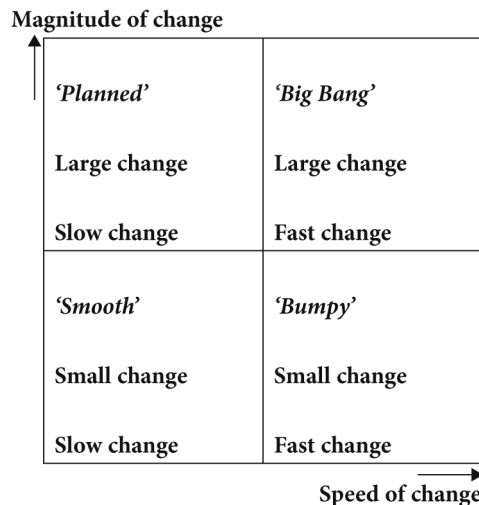
Top-down change can stem from a managerial prerogative for maintaining control throughout the change. Change can be driven through by management, and resistance controlled and eliminated. Here change can become more of a political issue (Gioia and Thomas 1996). Lupton (1991) argues that a bottom-up approach has its benefits in that employees at all levels have skills and expertise that are often lost in change processes. A third option is a combination of top-down and bottom-up approaches.

Change momentum: magnitude and speed

The momentum of change, ie the combination of speed and magnitude of change, is a useful concept to analyse and characterise different types of change. As we have seen, change momentum is not always easy to predict, but if it can be anticipated (which is often the case) interventions to manage change may be considered from the options available. In other words, if managers are able to characterise the type of change an

organisation will experience, this can be helpful in considering appropriate interventions to manage change in an effective way. We will consider change management interventions later, but let us return to characterising change. Figure 6.2 below represents a model of change momentum based on the two key variables of speed and magnitude.

Figure 6.2 Model of change momentum



'Smooth' and 'bumpy' change are both characterised by relatively small (and less complex) change, but differ in speed of implementation, with 'smooth' change happening over a longer period of time than the latter. Smooth change happens in small steps and is often described as being 'incremental', being barely noticeable in the day-to-day business of an organisation. Relatively minor changes to policies and procedures would be examples of this type of change. It is typically driven by internal factors.

'Bumpy' change is more noticeable, as the speed of change is fast and therefore requires a quicker response time by managers and employees in dealing with it. It is typically driven by external factors which require an organisation to move quickly to respond. Examples of this would include organisations responding to crisis, which require significant investment and/or changes in practice, eg health, safety and the environment, regulatory reform or legal proceedings. Companies involved in fast-moving markets often have to manage this type of change as consumer opinion and tastes quickly change.

Grundy (1993) describes three types of change related to speed of change. The first is 'smooth incremental change' as change that evolves slowly in a systematic and predictable way. He also describes 'bumpy incremental change' as periods of relative calm, ie little or no change that is punctuated by accelerated change. The third type of change described by Grundy is 'discontinuous' change, which he defines as 'change which is marked by rapid shifts in strategy, structure or culture, or in all three' (Grundy 1993, p26). This equates closely to 'Big Bang' change in terms of change momentum.

Grundy's 'discontinuous change' and 'Big Bang' change describes many of the characteristics of what has become known as 'transformational' change – a type of change that involves the values, attitudes and behaviours of people that contribute towards shaping the culture of an organisation. This form of complex change focuses on the motivation and commitment of employees and their contribution towards performance outcomes. Leadership which emphasises these employee attributes in managing change is described as 'transformational leadership' (Bass 1985), to which we shall return later.

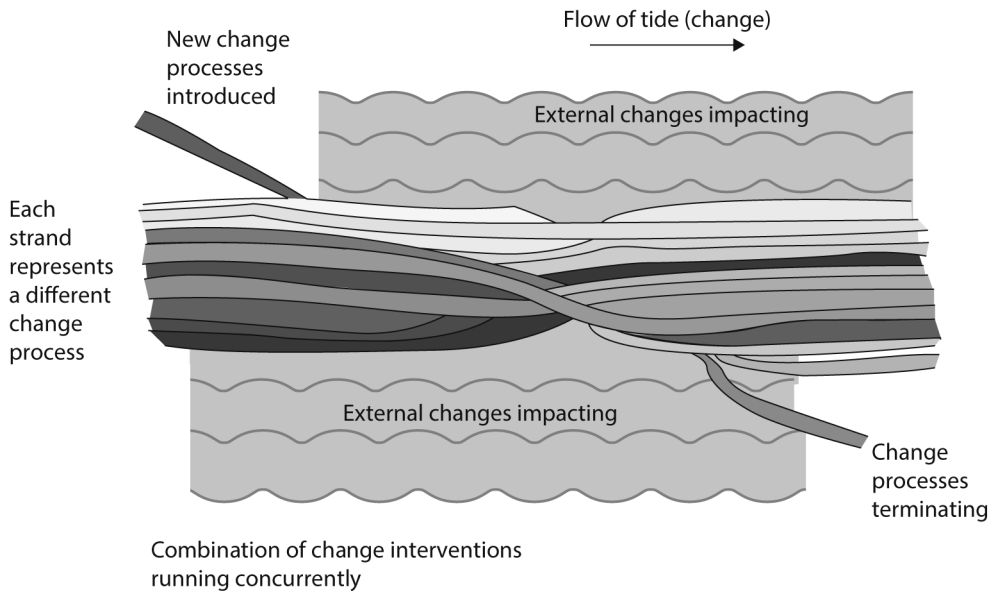
In conclusion, a range of differing variables have been used to examine the different types of change. However, there may be other more relevant comparators than the ones presented. It is necessary to examine the context of change as well in order to assess whether the most appropriate comparators have been used.

ANALYSING THE CHANGE CONTEXT

The question as to why organisations change is often determined by a combination of push and pull factors. Organisations sometimes have choices as to whether they want to change, or are sometimes forced to change, because of legal or other reasons. The importance of why organisations change is linked to the timing of change.

Whilst there may be a range of comparators with which to analyse change dimensions, a potential metaphor is one which considers a combination of change interventions running concurrently – see Figure 6.3. The metaphor shows a range of change interventions, some of which start anew, some end, and all of which may impact upon each other.

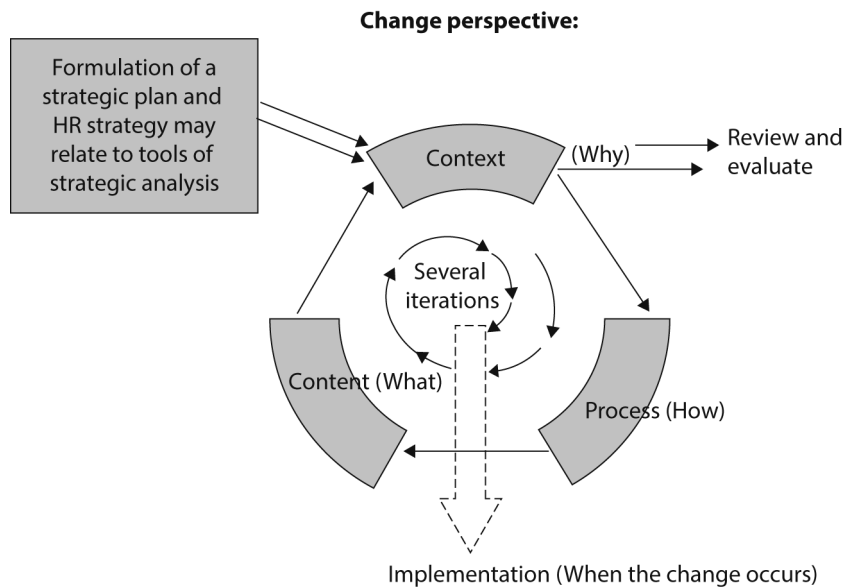
Figure 6.3 Combination of concurrent change interventions



Whilst classic change models may posit a start, middle and end part of the change process, it is important to have to start at some point in terms of determining where the organisation is now and where it wants to arrive at in terms of change. Change models can either adopt a reactive approach ('this is why we need to change'), or adopt a proactive approach ('where do we want to get to as an organisation?').

Figure 6.4 demonstrates the iterative nature of change, and planning for change.

Figure 6.4 The iterative nature of change, and planning for change



With strategic change, we may start with a strategic plan, or possibly a vision or mission statement, which leads to a strategic plan. When analysing why organisations change, there is often a trigger for change. The following factors are proposed here as triggers for change – see also CIPD (2009b):

- challenges of growth, especially global markets
- challenges of economic downturns and tougher trading conditions
- changes in strategy
- technological changes
- competitive pressures, including mergers and acquisitions
- customer pressure, particularly shifting markets
- pressures to learn new organisation behaviour and skills
- government legislation/initiatives.

When it comes to analysing the strategic context, a range of models can be utilised. Both the internal and external context need to be analysed.

Caldwell (2013) argues that change should be understood from a ‘changing organisation’ perspective, which places multiple, simultaneous adaptive demands upon individuals (employees) from many forces within the organisation, which in themselves may be planned or possibly unplanned.

EXTERNAL DRIVERS OF CHANGE

A useful tool to examine the external drivers of change involves the PESTLE taxonomy. The earliest known reference to a framework for describing the external business environment is by Aguilar (1967) who presents ‘ETPS’ as a mnemonic to represent the four sectors: Economic, Technical, Political, and Social. Variations of this include ‘PEST’ and ‘PESTLE’, which adds the Legal and Environmental dimensions – see Table 6.1.

Table 6.1 PESTLE framework

Factor or driver	Typical considerations
Political	<ul style="list-style-type: none"> ● Taxation and other policies ● Current and future political support ● Funding, grants and initiatives ● Trade organisations ● Internal and international relationships
Economic	<ul style="list-style-type: none"> ● Economic situation ● Consumer spending ● Levels of government spending ● Interest rates, inflation and unemployment ● Exchange rates
Social	<ul style="list-style-type: none"> ● Demographics and social mobility ● Lifestyle patterns and changes ● People's attitudes and actions ● Media perception and influence ● Ethnic and religious differences
Technological	<ul style="list-style-type: none"> ● Research, technology and innovation funding ● Consumer behaviour and processes ● Intellectual property ● Global communication technological advances ● Social networks
Legal	<ul style="list-style-type: none"> ● Legislation in employment, competition and health and safety, etc ● Changes in legislation ● Trading policies ● Regulatory bodies ● International protocols
Environmental	<ul style="list-style-type: none"> ● Clean technologies and processes ● Waste management and recycling ● Attitudes of government, media and consumers ● Environmental legislation ● Global warming and emission protocols

The PESTLE taxonomy provides a useful external environment scanning framework and a methodology for identifying and analysing factors that shape the external business environment. When combined with a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, this evidence-based approach provides valuable information for strategic decision-making.

The external environmental factors identified from a PESTLE are typically considered as opportunities or threats in a SWOT analysis. Strengths and weaknesses are usually regarded as internal organisational factors which can be considered against the external opportunities and threats. This 'looking out' and 'looking in' approach provides a basis for internal-external organisation analysis and is an important part of the strategic management process, if carried out in a purposeful and rigorous manner.

INTERNAL DRIVERS OF CHANGE

Not all organisational change can be attributed to managers responding to a business environment comprising external factors. Internal drivers of change can also play a major role in initiating change and these include:

- new leadership
- new strategy
- new structures
- new business model
- organisation growth
- redesign of jobs
- redesign of business processes
- outsourcing
- change of location
- installation of new technology and systems
- changes to employees' terms and conditions
- being acquired or merged with another organisation
- redundancies.

These changes can be and often are influenced by external factors but they can also be triggered by decisions which are not made as a response to changes in the business environment.

Pettigrew and Whipp (1993) argue that environmental assessment is only one of five factors that determine the success of managing change. The other four factors are leading change, linking strategic and operational change, considering human resources as both assets and liabilities, and a central factor in all of this – coherence – pulling together the other four factors.



REFLECTIVE ACTIVITY 6.1

Duty of care

Change has been equated to bereavement (Marris 1986). Constant change may not allow employees time to grieve. It could be argued that organisations have a duty of care to ensure that the welfare of their employees is paramount and thereby limit constant and dramatic change. If an organisation does not constantly seek employee feedback and make an assessment through an organisational stress thermometer, then how will it know how much employees can take? Acas (2010) recommends that employees' emotions are taken into account when managing change, by including the following within every change process:

- create a vision
- lead (the change)
- consult (with employees)
- engage (employees)
- reflect upon the change process (including employees' views).

Question

- 1 What are the implications for organisations when deciding upon the nature and type of change, and how change should take place?

It is important to differentiate between external and internal factors when considering change, with the key difference being that organisations and managers may have little, if any, control over the external factors. However, internal factors are typically management decisions which are designed to exert some form of control aimed at achieving certain performance outcomes.

Organisations lobby governments on many issues in an attempt to influence politicians' decisions and the outcomes that define the external factors which ultimately shape the business environment in which they operate. Climate change and the

environment are examples of contemporary issues that continue to attract the lobbyists in the early part of this century.

Control is the primary motivation for doing this because if organisations can be a factor in shaping their business environment, this enables them to predict more accurately what this environment will look like. This, in turn, puts these organisations in a stronger position to be able to make informed strategic decisions to control their future direction and performance.

The UK Government's 'modernisation programme' of public services described in a 1999 White Paper set out a 10-year change programme aimed at delivering more responsive and high-quality public services which can be measured by better results. The NHS is probably the most widely publicised example of this modernisation agenda, having been subjected to a plethora of change initiatives and performance targets.

A combination of external and internal factors typically drive this type of change in organisations.

CHOICE OF CHANGE INTERVENTION

After the context has been analysed, the choice of change intervention needs to be considered. Five different change management tools and techniques are discussed below in order to provide an understanding of how the organisation can manage change.

TROPICS test

The Open University (1985) describes two types of problems as 'difficulties' and 'messes'. Paton and McCalman (2000) use the terms 'hard' and 'soft' respectively to describe these same sets of problems, and devised the 'TROPICS' test as a guide to help determine the nature of change in terms of a continuum from hard to soft (see Table 6.2).

Table 6.2 The TROPICS test

Hard	Soft
Timescales clearly defined/short- to medium-term	Timescales ill-defined/medium- to long-term
Resources needed identified	Resources uncertain
Objectives specified and quantified	Objectives subjective and ambiguous
Perceptions of the problem shared by all	No consensus of problem
Interest in problem limited and defined	Interest in problem is widespread and ill defined
Control within managing group	Control is shared with people outside of managing group
Source of the problem lies within organisation	Source of the problem is from outside the organisation

This test provides a useful reference framework to help characterise and understand the parameters involved when facing change. It is important to recognise that this is a continuum, and many change programmes will combine elements of hard and soft change.

When managers have knowledge and understanding of the issues involved in a change scenario, they are in a better position to be able to assess the situation and decide on an appropriate course of action to help control and manage the change process.

Lewin's three-phase change model

One of the earliest known models applied to managing change is a three-phase model by Kurt Lewin (1951) which focuses on the psychological aspects of behaviour modification:

- 1 *Unfreezing* – lowering resistance to change by recognising and accepting the need for change.
- 2 *Movement* – developing new attitudes to encourage behaviours necessary for change to occur.
- 3 *Refreezing* – stabilising, supporting and reinforcing the new change conditions.

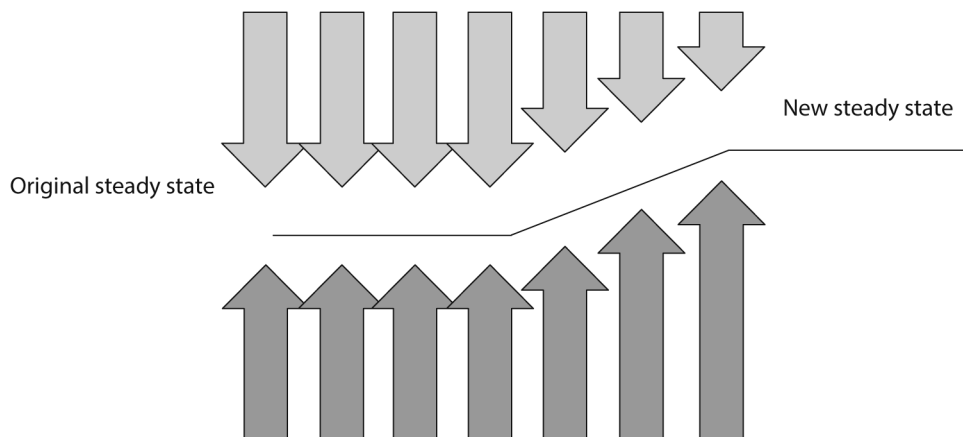
This model presents a systematic approach to change management, describing a sequence of well defined and interrelated processes. The premise for this model is that by identifying and understanding the key stages involved in the change process, the likelihood of effective change management is increased – by managers making better informed decisions about which interventions to use in managing change.

Lewin (1947) was also responsible for developing the Force-field analysis, a diagnostic technique which considered the forces or 'drivers' for and against change. At any time, there will be a number of forces in play that resist change and support the status quo, and forces that encourage change. These can be internal or external forces, or, as is usually the case, a combination of both.

When the sum of the forces 'for' and 'against' change are equal, they cancel each other out, resulting in equilibrium, i.e. a steady state. However, when the forces driving change are greater than the forces of resistance (either by the driving forces increasing or the restraining forces decreasing) then change will occur, and the organisation will inevitably change and move to a new state, as shown in Figure 6.5.

Figure 6.5 Lewin's Force-field analysis

Forces resisting change



Forces driving change

Although Lewin's model is criticised for over-simplifying change by describing a sequential linear process, its three stages of change are reflected in other more contemporary change management models. French *et al* (1985) list eight components of a planned-change effort, which can be related to Lewin's model:

- | | | |
|-----------------------------------|---|-------------------|
| 1. Initial problem identification | } | Unfreezing |
| 2. Obtaining data | | |
| 3. Problem diagnosis | | |
| 4. Action planning | } | Movement |
| 5. Implementation | | |
| 6. Follow-up and stabilise | | |
| 7. Assessment of the consequences | } | Refreezing |
| 8. Learning from the process | | |

The other main criticism of Lewin's model and other linear change models is that they describe the process of change transforming from an initial state to a final stage. Today, change is widely recognised as being a constant and continuing phenomena for all organisations, albeit at a faster rate for some compared to others.

RESISTANCE TO CHANGE

A multitude of factors could contribute to resistance to change. Prahalad, quoted in Allio (2008), cites three primary reasons for resistance to change in organisations. First, the logic of management actions and behaviours is not always obvious. Secondly, if change occurs, the accumulated intellectual experience of the players becomes devalued and change is taken as a personal threat (so a safety net is needed). Thirdly, managers need to have their hand held while they are learning. Prahalad emphasises the need for managers to be constantly learning new skills.

French *et al* (2011) suggest that in order to minimise resistance in such cases, the change agent should make sure that the people affected by the change know specifically how it satisfies the following criteria:

- *Benefit*. The change should have a clear relative advantage for the individuals being asked to change; ie, it should be perceived as 'a better way'.
- *Compatibility*. The change should be as compatible as possible with the existing values and experiences of the people being asked to change.
- *Complexity*. The change should be no more complex than necessary. It must be as easy as possible to understand and use.
- *Triability*. The change should be something that people can try on a step-by-step basis and make adjustments throughout the process.

Frahm and Brown (2005) argue that one of the key aspects of creating strategic change is the receptivity of employees to organisational change. They argue that organisational communication can significantly help alleviate problems often associated with change fatigue and change resistance.



REFLECTIVE ACTIVITY 6.2

Your organisation (or an organisation of your choice) has decided to introduce job evaluation and performance management organisation-wide. It is also operating a recruitment ban and

pay freeze. As the HR business partner, use Lewin's model to identify some of the potential forces acting for and against this change initiative.

Kotter's eight-stage change model

John Kotter (1996) described an eight-stage change process for managing change in large organisations following his research into US organisations who had failed to manage change effectively:

- 1 Establish a sense of urgency – *the need to change*.
- 2 Create a guiding coalition – *with authority and credibility*.
- 3 Develop a vision and strategy – *a clear aim and way forward*.
- 4 Communicate the change vision – *promote understanding and commitment*.
- 5 Empower broad-based action – *enable people to act and overcome barriers*.
- 6 Generate short-term wins – *to motivate and ensure further support*.
- 7 Consolidate gains and produce more change – *maintain change momentum*.
- 8 Anchor new approaches in the culture – *new values, attitudes and behaviours*.

This model appears to be a linear and sequential set of processes, and has been criticised for these reasons. However, in the final two steps, Kotter attempts to address the problem of the 'refreezing' stage in Lewin's model by encouraging organisations and their employees to develop attitudes and values which help to promote the behaviours required to encourage and support further change. Developing an organisational culture that is proactive to change helps to create a feedback mechanism which transforms a linear change model into a continuous process.

Many change management programmes applied in organisations are based on systematic change management models comprising sequential processes similar to the examples outlined above. However, a common modification to these models in practice is to introduce an additional process at the end, which provides a feedback step from the final to the initiating stage. With this modification, these models describe a cyclical and continuous change management system.

A significant feature of Kotter's model is the role of leadership, particularly in developing and communicating the vision for change, which is critical to effective transformational leadership, and management of change in large-scale organisations (Bass 1985).

This type of approach to change tends to be effective for change that is predominantly 'hard' by nature, ie as characterised in terms of the TROPICS test. Objectives, milestones and performance can be quantified and applied within the boundaries of a specific change programme, thereby offering a means to assess progress of the managed change programme.

Organisational development

There is another approach for intervening to improve organisational performance through managing change called organisational development (OD) that offers appropriate solutions to the 'softer' aspects of change. We must remember that hard and soft change is part of a continuum, and that the majority of change scenarios involve both aspects. When managing change, organisations will apply a range of interventions often using both approaches described in this chapter. These different approaches are not mutually exclusive.

There are many definitions of OD, but the following definition is particularly useful in helping to develop understanding of the context, content and processes involved in OD as a change and organisational performance intervention.

French and Bell (1999, pp25–26) define OD as:

a long-term effort, led and supported by top management to improve an organisation's visioning, empowerment, learning and problem-solving processes, through an ongoing, collaborative management of organisation culture – with a special emphasis on the culture of intact work-teams and other team configurations, using consultant-facilitator role and the theory and technology of applied behavioural science, including action research.

CIPD (2009b) offers the following succinct definition of OD: 'planned and systematic approach to enabling sustained organisational performance through the involvement of its people'.

OD emphasises the management of culture and employee behaviour as the central interventions for sustaining organisational capability to deal with long-term change and improve performance. An examination of several definitions of OD reveals a number of common features which highlight the distinguishing characteristics of the OD approach to change:

- It has top management support and involvement – it is participative.
- It deals with change over the medium- to long-term – it is strategic.
- It applies to an entire organisation and its component parts – it is systematic within institutionalising change.
- It draws on the theory and practice of behavioural science – such as leadership, group dynamics and work design.
- It emphasises the transfer of knowledge and skills through training and developing people – using action-research and organisational learning methods.
- It is concerned with planned change but is adaptable to new situations – rather than prescribing a rigid process which must be followed.
- It uses data to inform decision-making and progress – it is 'evidence-based'.
- It often makes use of change agents or OD practitioners to facilitate the OD process.
- It is aimed at facilitating planned change and improving organisational performance over the longer term.

The roots of OD can be found in the motivation theories of the 1940s and 1950s, which gave rise to the human relations school of management and organisation. It became popular towards the end of the last century as an alternative approach to the hard systems approach shaped by the models which flourished in the 1980s and 1990s. These models struggled to deal with the complexities and often unknown factors that were common components of the 'unbounded' soft and messy problems organisations faced as their environments rapidly changed.

OD focuses on managing organisational culture by promoting values and attitudes associated with personal and professional development, problem-solving, openness, engagement and commitment. The premise of this approach is that if an organisation's employees share such common values, this will manifest in desirable and normative behaviour at all levels: individual, team and organisation.

An example of where the application of the OD approach would be particularly relevant is in developing a 'high performance culture' within an organisation. By establishing a shared set of values which employees, particularly managers, agree to adhere to in the work environment, this provides a guide for what is regarded as acceptable employee behaviour, which, over a period of time, becomes regarded as normal behaviour by most employees.

The set of values would typically include values related to learning and improvement, working with others, being honest and respectful, etc, which ultimately influence an individual and group behaviour to enable performance improvement. These values would typically be applied in performance management interventions, recruitment and selection, career development and progression, reward schemes and leadership development, to

facilitate and embed an evasive organisational culture that encourages and supports high levels of commitment to performance.

This is a sophisticated and complex form of organisational control based on influencing normative behaviour which is acceptable to managers and employees. The principles of OD also facilitate management of the psychological contract, which is defined by Guest and Conway (2002) as 'the perceptions of the two parties, employee and employer, of what their mutual obligations are towards each other'.

Guest and Conway propose in their model of the psychological contract that the implicit nature of contract is moderated by the employees' and employer's sense of fairness and trust, and the belief that the employer will honour the unwritten arrangement between them. It is suggested that a healthy psychological contract will promote employee commitment and satisfaction and have a positive influence on performance.

How employees experience and perceive the workplace, and their relationship with managers and colleagues, will play a role in shaping their attitudes and consequent behaviour. OD, with its emphasis on values and attitudes as a means of managing culture and change, also presents an opportunity for employers and employees to develop positive psychological contracts to the benefit of both parties.

Although OD is an intervention for managing change and improving performance, because it focuses on the culture of an organisation influencing the attitudes and values (and ultimately behaviour), it pervades all areas and activities of an organisation. With an emphasis on learning and improvement, at individual, group and organisational levels, through techniques such as action learning, it develops and sustains the performance capability of an organisation through its people asset (human capital) and prepares an organisation for dealing with continuous change, ie it develops a state of enduring readiness for change.

In doing this, OD shapes the culture of an organisation to encourage managers and employees not to resist change but to be accepting and even embrace change, and approach it in that way. In other words, OD influences the ethos of an organisation and its people in dealing with change. It is an approach which addresses the soft and often intangible aspects of managing change which, because of the complexity involved, the rationality-based linear change models do not adequately accommodate.

Organisations that take the OD approach towards managing change tend to rely less on specific and explicit change programmes, but approach change as a normal part of everyday business. In the UK, the NHS has attempted to take this approach, having undergone radical change since inception of the modernisation programme (see above). The OD approach implies that normal business is about change and that dealing with change is implicit in what organisations and their people do – it is 'business as usual'.

This makes a lot of sense because if we accept that organisational change is a permanent phenomenon, employees will soon become exhausted and demotivated if they are presented with one change programme after another, and sometimes multiple change programmes at the same time.

That is not to say that organisations that adopt the OD approach cannot and do not roll out specific projects for introducing change. This would be a particularly appropriate approach for managing when hard changes which are specific and contained, and lend themselves to being managed as a project with clearly defined and measurable objectives.



CASE STUDY 6.1

IMPRESS: MEETING COMPANY GOALS THROUGH STRATEGIC ACQUISITIONS

Impress is a privately owned worldwide manufacturer of metal food cans, operating in 21 countries, with 8,000 employees, and turnover of 1.6 billion euros in 2006. Impress as a legal identity is based in the Netherlands, but has its head office in Paris, and operates primarily throughout Europe. Its strategy is to be the best metal-can manufacturer as opposed to the most profitable or biggest, and places great emphasis upon values surrounding operational excellence. The corporate culture centres around trust, transparency and teamwork.

Impress adopts an acquisition strategy in order to meet company objectives, and not as a purpose in itself. After Impress has considered acquiring another organisation and has evaluated if there will be a resultant strategic advantage, questions around the target company's readiness to change are considered. All relevant parties are brought to the table, and HR, finance, legal, production, management and technical teams are consulted in an unaggressive and unobtrusive way.

Impress managers seek to understand the culture and management model of the organisation and its capacity for change, as well as explore the leadership of the change process. The reputation of the company in the local area is considered, employee

behaviours and skills are analysed and consideration given to company values and how they are communicated throughout the company.

During the post-acquisition process, welcome meetings are arranged, existing signs and logos are replaced by the Impress brand, plans for integration of the two company structures set out, synergies and benchmarking sought, and restructuring plans made. Information is communicated as clearly and widely as possible in order to keep all relevant parties informed. Management changes are made as quickly as possible and a vision developed for the acquired company.

Impress use a 'learning by doing' framework for acquisitions, which facilitates the integration process and creates enough flexibility to allow processes and values to be influenced by the cultures of the company that it acquires and the countries in which it operates.

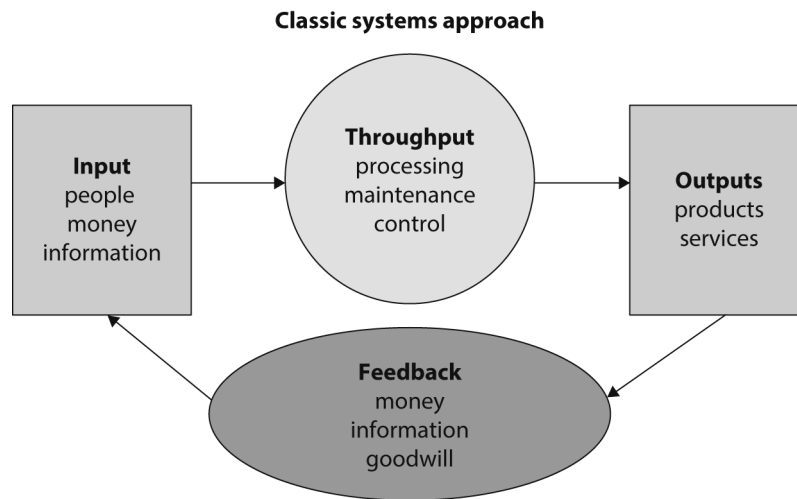
Source: Huws and O'Keefe (2008)

Question

- 1 Consider the extent to which Impress adopts Kotter's approach when managing acquisitions and change.

Whilst the concept of a systems approach may on the face of it appear simplistic, systems models allow for a great deal of complexity and data to be analysed. Figure 6.6 demonstrates the key components of a process model of change.

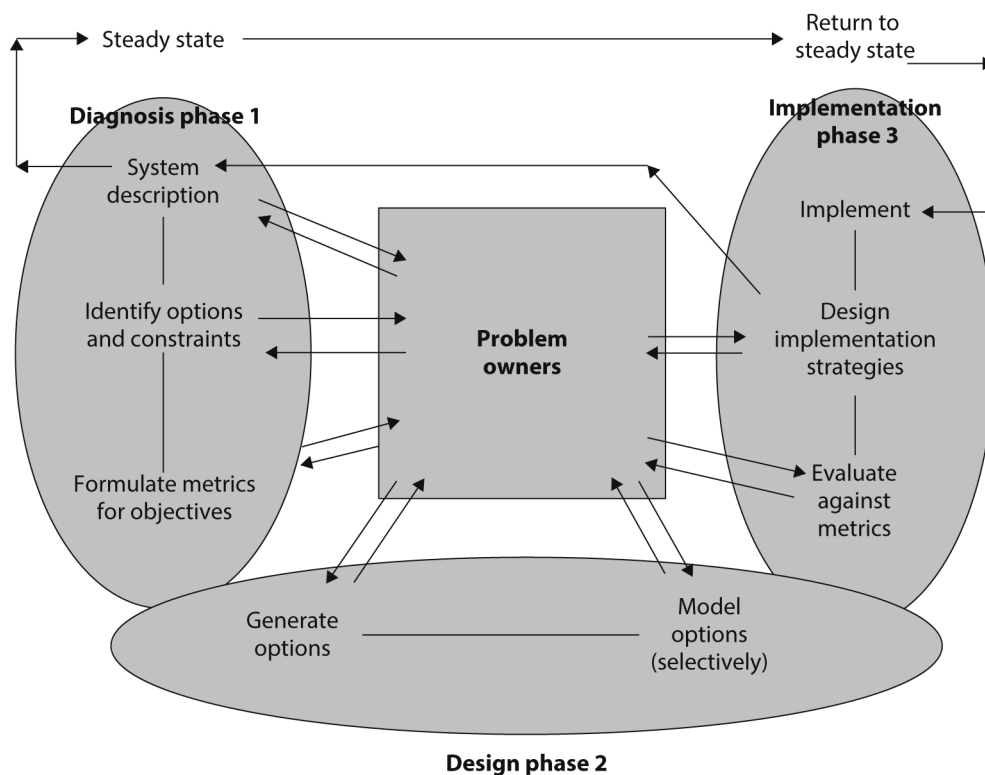
Figure 6.6 A systems approach to change



A systems approach to change

Whilst there is a range of systems models available to the change agent, Mayon-White (1993) highlights the example of systems intervention strategy (SIS) as a useful tool for undertaking change. The diagnosis phase asks 'Where are we now?' (the description), then 'Where do we want to be?', which evolves the identification of objectives and constraints. The question 'How will you know when you get there?' is addressed by the formulation of measures to achieve the objectives. In the design phase, we ask 'How can we get there?', in order to generate a range of options, then ask 'What will it be like?', where we can model options selectively. During the implementation phase, we consider whether we will like it, and then evaluate options against measures. Finally, we ask 'How can we carry it through?' then consider the design of implementation strategies and carry through the planned changes. Figure 6.7 demonstrates how the 'problem owners' fit within this model. Whilst McCalman and Paton (1992) argue that the problem owner may clearly define the nature of change, those affected by the change, the boundary and scope of the change and the relationships affected by the change, it could be contested that establishing who is affected by the change is not always apparent. 'Affected' could be considered in terms of job, role, task, function etc, but may not account for emotional or cultural ties, etc.

Figure 6.7 Systems intervention strategy



Mayon-White (1993, p136) provides a chart showing the types of action and tools and techniques that are used in systems intervention strategy (see Table 6.3).

Table 6.3 The key features and methods of SIS

The three phases of the strategy	The steps of the strategy phases	What kinds of actions are appropriate to each step?	What tools and techniques are available to help?
Diagnosis	0. Entry	Start by recognising that change is a complex process.	Make use of the concepts of 'mess' and 'difficulty'.
	1. Description	Structure and understanding the change in systems terms. Get other points of view on the change problem or opportunity.	Use diagrams. Set up meetings (NGT, Delphi, etc). Create a model of things as they are.

The three phases of the strategy	The steps of the strategy phases	What kinds of actions are appropriate to each step?	What tools and techniques are available to help?
	2. Identify objectives and constraints	Set up objectives for the systems that you are examining. Think of the objectives of the change itself.	Set up an 'objective tree'. Prioritise your objectives for change.
	3. Formulate measures for your objectives	Decide on ways of measuring if an objective is achieved.	Use '£s' or quantities where possible. Scaling or ranking methods elsewhere.
Design	4. Generate a range of options	Develop any ideas for change as full options. Look at a wide range of possibilities. Your objectives may suggest new options.	Brainstorming. Idea writing. Interviews and surveys. Comparisons with best practice in other organisations.
	5. Model options selectively	Describe the most promising options in some detail. Ask of each option: what is involved? Who is involved? How will it work?	Diagrams are simple models. Cost-benefit analysis. Cash flow models. Computer simulations.
Implementation	6. Evaluate options against measures	Test the performance of your options against an agreed set of criteria.	Set up a simple matrix to compare the performance of your options. Score each option against the metrics.
	7. Design implementation strategies	Select your preferred options and plan a way of putting the changes into place.	Look for reliable options. Check back to 'problem owners'. Plan time and allocate tasks.
	8. Carry through the planned changes	Bring together people and resources. Manage the process. Monitor progress.	Sort out who is involved. Allocate responsibility. Review and modify plans if necessary (CPA etc).

(Mayon-White, B. and Mabey, C. (1998) *Managing Change* 2nd ed. Open University Press)

A range of models have been presented, some of which show signs of overlap; for example, systems intervention strategy includes Lewin's Force-field analysis. The choice of model(s) is up to the change agent and key stakeholders. It is possible to combine aspects

of different models, for example, having a combination of OD and SIS, but caution needs to be expressed so that there is no confusion as to what the process actually involves.

LEADING CHANGE

The choice of change agent is critical to the success of any change intervention. Whilst a universal definition of a change agent proves impossible to locate, characteristics, competences and skills can differentiate across change agents.

In simple terms, Rosenfeld and Wilson (1999, p294) define change as 'the individuals or groups of individuals whose task it is to effect change'.

What does a change agent look like?

Whilst the determination of choice of change agent will be determined by a range of factors, Lessem (1989) provides a range of change agent characteristics:

- *You are professional*, with an in-depth knowledge and experience in a particular field, and often with greater loyalty to your profession than to your organisation.
- *You learn from change*, by observing, conceptualising, experimenting and validating. Also, by accommodating through flexible communications.
- *You troubleshoot*, rapidly identifying opportunities for change, and coming up with alternative courses of action to exploit them.
- *You adapt to change*, by mapping out the internal and external environment, and by creating systems and procedures for dealing with change.
- *You experiment with change*, by continually forming temporary project groupings and solving ongoing problems in interdisciplinary teams.
- *You plan for change*, by constructing long-term plans with contingencies built in, monitoring changes and adapting plans accordingly.
- *You embody the spirit of change*, and are respected as a free thinker. You also embody the organisation's cause.



REFLECTIVE ACTIVITY 6.3

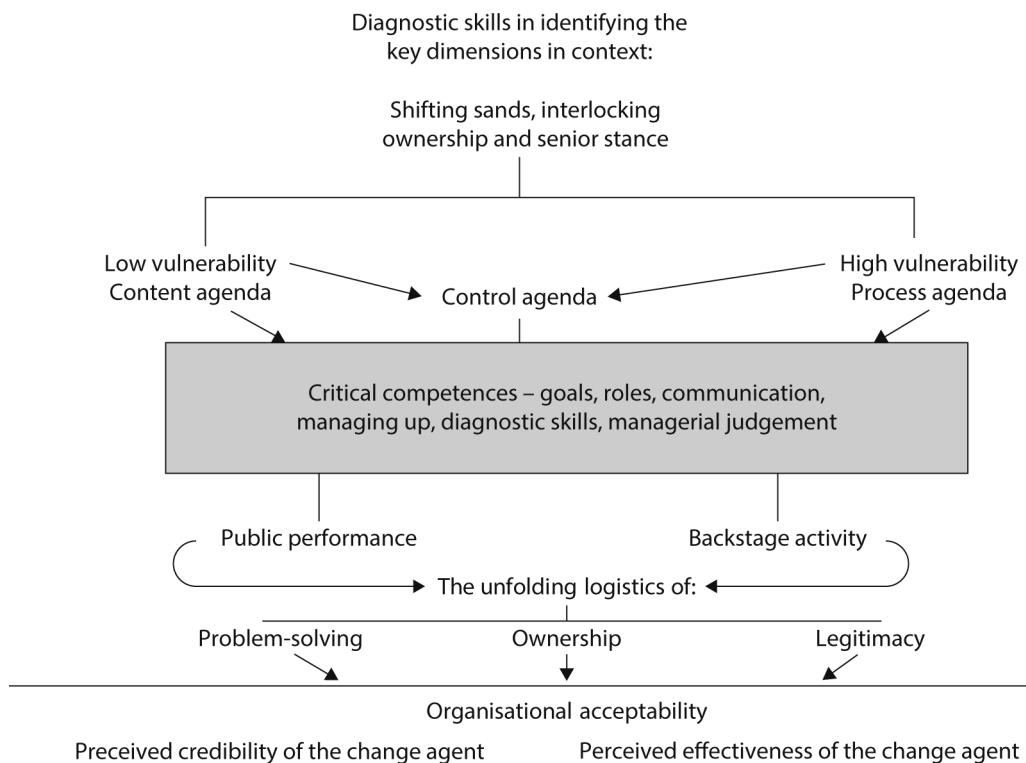
To what extent can the HR function adopt Lessem's seven characteristics and demonstrate these during a change process?

Doz and Prahalad (1988) cite a range of tools that change agents can select from and use. Firstly, data management tools concern the manipulation of information, systems, resource allocation procedures, strategic planning and budgeting arrangements. These tools are used to guide decision-making. Secondly, management tools are a combination of hard and soft approaches. 'Hard' tools involve manipulation of key appointments, career planning and reward systems. 'Soft' tools include changes to management development and socialisation patterns. These tools dictate the rules of the game. Thirdly, conflict management tools involve relocation of decision responsibility, formation of business teams, task forces and co-ordination committees, the appointment of 'integrators', and establishment of procedures to resolve issues. These tools may be used more predominantly at different stages of a change intervention, where data management tools may prove most useful at the early stages of change, but conflict management tools may be used throughout some change interventions or perhaps during the 'movement' and 'refreezing' stages of a change process.

Buchanan and Boddy (1992) identified 15 competences that change agents adopt, clustered into five areas, namely: goals, roles, communication, negotiation and managing

up. These competences sit within a framework which emphasises the political dimension. The importance of both front stage and back stage activity emphasises how the change agent has to manage their position continuously so as ensure their tenure and sustainability through the change intervention. Figure 6.10 displays the three critical agendas that may impact upon the determination of the change agent, where the content agenda relies upon technical competence (similar to Doz and Prahalad's data management tools), and the process agenda matches implementation skills, where communication, consultation, team-building, influencing and negotiation skills are key (similar to Doz and Prahalad's conflict management tools).

Figure 6.8 The expertise of the change agent



Source: Buchanan and Boddy (1992)

It could be argued that the more strategic the change, the more politically charged it will be and thereby draw upon more power bases. Balogun *et al's* research (2005) supports Hardy's argument (1994, 1996) that change agents address and engage the 'power of the system', mobilising existing power to negotiate power interdependencies to enrol staff to their cause. This parallels with Kotter's (1999) notion of forming powerful coalitions so as to effect a change agenda. Kotter argues that managers typically form powerful coalitions through network building and setting both business and personal agendas.

When making an assessment as to whether change agents could be recruited internally within an organisation, it might be useful to conduct an evaluation of whether there is a critical mass of the various skills within this context. If not, perhaps the necessary skills can be bought in.

The choice of who leads the change is a critical one, and should not rely purely on technical expertise. Endemic to this change process may be the setting of a vision or visioning statement by key player(s). If HR is to remove its reputation of being the bridesmaid, rather than the bride, then it needs to adopt strategic positioning, understand the business completely (business partnership), and adopt a leadership role (business leader).



HM REVENUE AND CUSTOMS (HMRC)

CASE STUDY 6.2

In an article from *The Times* (2010), Chris Mills argues that the radical change encountered by HMRC resulted in ineffective change management, attributed to the leadership rather than general competence.

Mills goes on to say that since the merger of the Inland Revenue, and Customs and Excise since 2003, the organisation focused more upon tax-raising at strategic level, but lost the sense of purpose lower down. The lack of involvement of operational staff, where they drive the process quickly and effectively, was lacking. What is required includes strategic goals and a 'comprehensively thought-through model of the entire organisation, which encompasses vision, strategic performance measures, organisational structures, projects and business-as-usual activities, together with the right combination of skills, competencies and behaviours needed by all staff'. Mills continues this line of argument by stating that the need to demonstrate clear alignment between all of these factors is crucial. The extent to which senior managers are more likely to be focused on building the profile of their

own area (and themselves) may contaminate the effectiveness of the change process, despite having an overarching strategy and vision.

Another potential compounding factor is the Government's Efficiency Agenda, which attempts to maximise resources and ultimately save costs. Mills posits that senior civil servants are often criticised for their apparent inability to translate good strategies into effective action, and sometime overuse consultants and other external staff in order to make things work, rather than providing the bursts of expertise for which they are better suited.

Source: Mills (2010)

Question

- 1 Consider how the use of a change intervention, such as OD or systems intervention strategy, can assist in ensuring the strategic to operational alignment required to bring about effective change at HMRC.

HR VALUE ADDED AND CHANGE

Can HR establish and maintain a strategic-level involvement in organisations? The danger of pigeon-holing functions is that some form of reductivism may result. If strategy was determined at a resource and capability level, then HR could perhaps fit more readily within strategic decision-making in organisations. However, Warren (2009) argues that OD needs to start with the business and HR's role is to facilitate it. HR and OD should be one and the same. It depends upon the level of importance that OD has within organisations as to whether OD impacts (and possibly guides) upon strategic planning.

For HR partners to take a leadership and proactive role, they will need to contribute towards key strategic decisions, and to do this, understanding of strategic change and change interventions is critical.

When bridging the strategic and tactical level, we can identify various ways in which HR professionals can endeavour to secure a successful role in the contribution made to change projects, namely:

- involvement at the initial stage in the project team
- advising project leaders in skills available within the organisation – identifying any skills gaps, training needs, new posts, new working practices, etc
- balancing out the narrow/short-term goals and broader strategic needs
- assessing the impact of change in one area/department/site on another part of the organisation
- being used to negotiating and engaging across various stakeholders
- understanding stakeholder concerns to anticipate problems
- understanding the appropriate medium of communication to reach various groups
- helping people cope with change, performance management and motivation.

There are perhaps many other areas where HR should impact upon change in organisations, such as learning from change, capturing appropriate knowledge and knowledge share. Similarly, HR can facilitate team building. Arrata *et al* (2007) argue that three critical elements are crucial to any change programme: thoughtful design; careful recruitment and development of personnel; and close integration between the change agent team and the organisational areas targeted for change. Successful communication underpins the effectiveness of the change team.



REFLECTIVE ACTIVITY 6.4

Concepts such as engagement and communication are vital within strategic and organisational change. It could be argued that HR has a central role in the day-to-day running of both of these concepts. In some cases, HR takes a leading role in implementing a range of change initiatives.

- 1 To what extent are there tensions for HR when managing change at both strategic and operational levels?
- 2 As a counter-argument, should line managers be largely responsible for engagement and communication within their respective divisions or departments?



CASE STUDY 6.3

CHANGE: THE FINANCIAL INDUSTRY IN 2007

Paralysis within the financial sector following the 'credit crunch' of 2007 saw the first run on a major British bank in more than a century, which eventually led to Northern Rock being nationalised the following year. Nearly a year later, the US banking sector experienced a tumultuous weekend in September 2008 when Merrill Lynch was acquired and 'saved' by the Bank

of America, while Lehman Brothers was left to its own demise by the US Treasury and went into liquidation.

The consequences of these events would be felt all over the world, as governments provided unprecedented financial rescue packages to stabilise the global banking sector and support their economies. However, this rescue attempt could not prevent many

developed countries slipping into recession in 2008 while politicians and media commentators debated how long the recession would last. In 2013 many developed economies were still 'flat-lining' with gloomy growth forecasts for subsequent years, so the events of 2007 and 2008 had indeed cast a long shadow.

In the UK and in many other countries, the cost of the financial meltdown has been, and is still being, shared by businesses, public sector services and taxpayers. Since the financial crisis, many companies have struggled to survive and have responded by cutting costs, wages and jobs. Public sector budgets have been cut as governments attempt to manage the enormous budget deficit acquired as a result of the bank bail-outs.

The financial crisis was a dramatic and major change, but it is important to recognise that it is still only part of a continuum of change, which, at any moment in time has historical lineage, current context and future implications.

This recent episode in change also serves to illustrate how the business environment is shaped by external factors outside the control of most organisations, and even outside the control of institutions who thought they were in control!

There are not many organisations that will remain unscathed by the fallout from the events described above. In order to survive and sustain, organisations will have to respond to the dynamic business environment they operate in by managing change.

Managing change is nothing new to organisations, but the scale and speed of change in the business environment may present situations and challenges that are difficult to respond to, as was the case for Lehman Brothers in 2008. Lehman Brothers found that in the rapidly changing environment in which it was engulfed, it could not exert

control or manage change to sustain the organisation.

The causes of the financial crisis were a complex combination of political, economic, social and technological factors which shaped the external business environment.

These drivers of change had their roots in the USA, going back to 2002 when the relaxation of financial regulations, available cheap debt and the desire of individuals to own or improve their homes all came together to shape a business environment that provided opportunities for financial institutions to create and sell new loan products known as sub-prime mortgages. These mortgages were sold to many individuals with poor credit standing who had little chance of repaying their loans.

Complex computer software programs and global communication networks enabled this sub-prime debt to be repackaged and sold on as investments on the global mortgage bond market.

The difficulties incurred by banks which either sold these mortgages or invested in the repackaged sub-prime mortgage debt led to what became known as the 'credit crunch'. The financial institutions had failed to identify the risk to which they were exposing themselves because they did not fully understand the nature of the business environment in which they were operating. In other words, they did not recognise the external factors that would eventually impact on their business.

Had the financial institutions understood the risk they were engaging in, they may have made smarter decisions and avoided the difficulties they got into, or could have taken steps to manage the risk better. With improved knowledge and understanding of the business environment, organisations can make better informed strategic decisions in

order to minimise risk and optimise performance. In other words, good information and how to use it makes for better decision-making and management control.

There were a number of key internal factors involved in the financial crisis of 2007, which, when combined with the external drivers described above, provided an inevitable path to disaster for many of the organisations involved, as outlined below.

First, there was the decision of the banks to repackage sub-prime mortgages as collateral debt obligations (CDOs), a type of asset-backed security, and sell these as investments on the mortgage bond market, which represented a new business model for dealing with mortgages. This had the effect of spreading high-risk investments amongst the financial institutions who decided to engage in this business model – but not in a good way. The CDOs were so complex that the banks who had bought these were unable to

gauge the amount of risk they were exposing themselves to.

Internal management decisions were taken by: (a) the banks providing the mortgages to take advantage of a business opportunity they saw as a new marketing strategy; and in turn (b) other banks and financial institutions to invest in CDOs as an investment strategy.

Another major internal driver of change in the financial crisis was the practice of incentive schemes based on large cash bonuses to reward employees for selling and investing these products. This powerful driver encouraged the proliferation of these activities.

Questions

- 1 What were the triggers for change within the context described?
- 2 To what extent was the change depicted a 'Big Bang' approach to change?

CONCLUSION

Lloyd and Maguire (2002, p149) argue that, 'In future, the critical focus for sustainable organisational success will build on what the organisation knows about itself and its environment, and not on the transient structure and detailed processes. The successful organisations of the future will not be managing change but rather facilitating conversations for organisational learning and individual responsibility'. Hence the emphasis here is upon individual and team development, which sits comfortably within the scope and domain of HR.

'Change is ultimately about people – if they do not change, nothing significant happens' (Miller 2004, p10). Perhaps the argument for organisations having stronger and more sophisticated OD processes can never be understated. A positive employee attitude towards change is vital to a successful outcome. Tan and Tiong (2005) found that the highest correlated success factor was optimism, which they define as attitude towards change. HR, in partnership with line management, need to ensure that organisational change is planned, communicated and executed successfully on an ongoing basis in order to sustain business survival.



KEY LEARNING POINTS

- There are numerous ways in which change can be analysed as far as the scope and nature of change is concerned.
- HR professionals need to have an appreciation of the complex nature of several (sometimes contradictory) change interventions operating concurrently.
- The context of change needs to be analysed in order to decide upon whether and which type of change intervention is needed or appropriate.
- OD is a change intervention particularly suited to changing employees' values and organisational culture.
- HR has a significant contribution to make to strategic change interventions, particularly when collating knowledge and learning emanating from change interventions, which can then be used on subsequent change interventions.
- Change agents typically have to exhibit a range of skills and competences in order to demonstrate their credibility as a change agent, and simultaneously be aware of the political context within which they operate.



REVIEW QUESTIONS

- 1 Discuss the extent to which a vision and mission statement is important when an organisation is going through cultural changes.
- 2 Consider a change intervention with which you are familiar and consider what some of the barriers to change were, and where resistance to change was encountered. Try and classify these barriers and resistance factors into key categories.
- 3 What are some of the key skills that a change agent needs to exhibit? To what extent are these skills context specific?
- 4 Think about how you could apply Lewin's change model to a change scenario of your choice. To what extent were there critical moments that defined the unfreezing, movement and refreezing?



EXPLORE FURTHER

Hughes, M. (2010) *Change Management: a critical perspective*. 2nd edition. London: CIPD Publications. A sound textbook presenting a range of approaches to change.

Price, D. (ed.) (2009) *The Principles and Practice of Change*. Basingstoke: Palgrave Macmillan. Provides a range of different perspectives on change by presenting some key articles and works on change.

Senior, B. and Swailes, S. (2010) *Organisational Change*. 4th edition. Harlow: FT Prentice Hall. The chapters on systems change and OD are particularly useful reading.