Change Management

CPE Edition

Distributed by AccountingTools, Inc.
www.accountingtools.com

Change Management

Second Edition

Steven M. Bragg

AccountingTools®

Published by AccountingTools, Inc., Centennial, Colorado.

For more information about AccountingTools® products, visit our Web site at www.accountingtools.com.

Course Information

Course Title: Change Management

Learning Objectives:

- Identify the situations in which change initiatives may and may not be needed.
- Describe how a manager decides which change initiatives to pursue.
- Recognize the characteristics of an environment in which a change initiative is difficult to operate.
- Recall the circumstances under which a project has been properly structured to succeed.
- Describe how consultants should be used in a change initiative.
- Identify the reasons why a business may be mired in complacency.
- Recall the issues for which a prospective vision statement should be tested.
- Identify the methods used to keep a change from reverting back to the previous state.
- Specify the reasons why the results garnered from a change initiative may backslide.
- Recognize the differences between a leader and a manager.
- Describe the different types of change agents.
- Identify the different methods used to deal with conflict.
- Specify the circumstances under which evolutionary change works best.
- Recall the types of positions needed to support a transformational effort.

Subject Area: Business Management & Organization

Prerequisites: None

Program Level: Overview

Program Content: Leading a change effort is arguably one of the most difficult management tasks. Organizational inertia, excessive comfort with the status quo, and resources being focused on existing systems make it quite difficult to successfully enact change. The *Change Management* course shows how to break through these barriers for major change initiatives. It focuses on the many pitfalls that can cause failure, as well as the best change management process for improving the odds of success. The course also notes the characteristics of the person who should lead a change initiative, and how to deal with the conflicts that are frequently triggered by a major change. In short, this course helps practitioners conduct successful change management campaigns within their organizations.

Advance Preparation: None

Recommended CPE Credit: 3 hours

Table of Contents

About the Author

Steven Bragg, CPA, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written the following books and courses:

7 Habits of Effective CEOs
7 Habits of Effective CFOs
7 Habits of Effective Controllers
Accountant Ethics [for multiple states]
Accountants' Guidebook
Accounting Changes and Error Corrections
Accounting Controls Guidebook
Accounting for Casinos and Gaming
Accounting for Derivatives and Hedges
Accounting for Earnings per Share
Accounting for Income Taxes
Accounting for Intangible Assets
Accounting for Inventory
Accounting for Investments
Accounting for Leases
Accounting for Managers
Accounting for Mining
Accounting for Retirement Benefits
Accounting for Stock-Based Compensation
Accounting for Vineyards and Wineries
Accounting Information Systems
Accounting Procedures Guidebook
Activity-Based Costing
Activity-Based Management
Agricultural Accounting
Auditor Independence
Behavioral Ethics
Bookkeeping Guidebook
Budgeting
Business Combinations and Consolidations
Business Insurance Fundamentals
Business Ratios
Business Valuation
Capital Budgeting
CFO Guidebook
Change Management
Closing the Books
Coaching and Mentoring
Conflict Management
Constraint Management
Construction Accounting
Corporate Bankruptcy
Corporate Cash Management
Corporate Finance
Cost Accounting (college textbook)
Cost Accounting Fundamentals
Cost Management Guidebook
CPA Firm Mergers and Acquisitions
Credit & Collection Guidebook
Crowdfunding
Developing and Managing Teams
Effective Collections
Effective Employee Training
Employee Onboarding
Enterprise Risk Management
Entertainment Industry Accounting
Ethical Frameworks in Accounting
Ethical Responsibilities
Excel Charts and Visualizations
Excel Data Analysis Tools
Excel Data Management
Excel Formulas and Functions
Fair Value Accounting
Financial Analysis
Financial Forecasting and Modeling
Fixed Asset Accounting
Foreign Currency Accounting
Franchise Accounting
Fraud Examination
Fraud Schemes

(continued)

GAAP Guidebook
Governmental Accounting
Health Care Accounting
Hospitality Accounting
How to Audit Cash
How to Audit Equity
How to Audit Fixed Assets
How to Audit for Fraud
How to Audit Inventory
How to Audit Liabilities
How to Audit Payroll
How to Audit Receivables
How to Audit Revenue
How to Conduct a Compilation
How to Conduct a Review
How to Run a Meeting
Human Resources Guidebook
IFRS Guidebook
Interpretation of Financial Statements
Introduction to Excel
Inventory Management
Investor Relations Guidebook
Law Firm Accounting
Lean Accounting Guidebook
Mergers & Acquisitions
Money Laundering
Negotiation
New Controller Guidebook
New Manager Guidebook
Nonprofit Accounting
Oil & Gas Accounting
Optimal Accounting for Cash
Optimal Accounting for Payables
Optimal Accounting for Payroll
Partnership Accounting
Payables Management
Payroll Management
Performance Appraisals
Project Accounting
Project Management
Property Management Accounting
Public Company Accounting
Purchasing Guidebook
Real Estate Accounting
Records Management
Recruiting and Hiring
Revenue Management
Revenue Recognition
Sales and Use Tax Accounting
Succession Planning
The Balance Sheet
The Income Statement
The MBA Guidebook
The Soft Close
The Statement of Cash Flows
The Year-End Close
Treasurer's Guidebook
Unethical Behavior
Working Capital Management

On-Line Resources by Steven Bragg

Steven maintains the accountingtools.com web site, which contains continuing professional education courses, the Accounting Best Practices podcast, and thousands of articles on accounting subjects.

Chapter 1
Overview of Change Management

Learning Objectives

- Identify the situations in which change initiatives may and may not be needed.
- Describe how a manager decides which change initiatives to pursue.
- Recognize the characteristics of an environment in which a change initiative is difficult to operate.
- Recall the circumstances under which a project has been properly structured to succeed.
- Describe how consultants should be used in a change initiative.

Introduction

The typical organization has a stable set of products and services, which it provides to customers in an established way. There are long-settled policies and procedures, training programs, and traditions that are all designed to operate the organization as it has been operated in the past. The longer an organization is in existence, the more likely it is that these systems and behaviors have become baked into the firm, with a level of rigidity that makes them hard to alter.

Such an organization will confront a number of situations in which it must change its ways or be faced with reduced performance or even the failure of the business. Examples of these changes are replacing an existing computer system, switching to a new product line, shifting decision-making power down to production-line workers, and outsourcing a major department.

Despite the crucial need to make these alterations, the bulk of all change initiatives fail, because they are unable to cut through the molasses-link equilibrium of the business – it is just too difficult to carry through a revolution, upsetting existing practices and replacing them with new ones. The result is upset employees and wasted resources. In this chapter, we cover a selection of high-level change management topics, including when change initiatives are most necessary, the most difficult environments to change, and why change initiatives fail.

When Change Initiatives are Most Necessary

The amount and extent of change needed by a business is primarily based on its operating environment. If there is a brisk amount of competition, changes in the legal requirements for doing business, or continual technological disruptions, then a business will find that its internal systems must be constantly realigned to coincide with its operating environment. Examples of situations in which change initiatives will be needed are:

- An industry is deregulated by the government, letting in a hoard of new competitors
- A new trade agreement allows overseas competitors to flood the market with cheaper goods
- The market for a major software platform is disrupted when the same functionality is made available on a smartphone app
- The number of licenses available for operating a casino within a state is abruptly expanded

The pace of change in the operating environments of businesses is increasing, which means that many organizations will find that they need to engage in change initiatives on a more frequent basis.

Conversely, a company located in a niche market where there are few competitors, or in a lethargic industry with little competition may find that it can go for years without having to engage in any significant change initiatives. When a company is in this situation, its employees may become so rigid in their ways that they have an especially difficult time responding to the occasional change initiative.

Change initiatives may also be required to correct issues that have developed within a business, irrespective of any changes in the operating environment. Sample situations are:

- An entrepreneur is managing every aspect of a business, and needs to alter the organizational structure to shift some responsibilities to others.
- An excessive level of bureaucracy is interfering with the efficiency of the business and its ability to create new products and services.
- Decision-making has been pushed down into the organization to such an extent that it is difficult for managers to have employees follow the strategic direction of the business.
- The business is organized into rigid silos, where the functional areas do not interact. More teaming is needed to foster a higher level of interaction.
- There is a strongly hierarchical structure that is interfering with the responsiveness of the business, so management wants to push decision making down into the organization.

In short, change is usually imposed by forces outside of a business, but it may also be necessary from a structural adjustment perspective to make changes.

The Strategy of Change

Before addressing the issue of how to manage change for a specific project, one must first address the even more critical topic of what really needs to be changed within an organization. This is not a minor issue, for many senior managers are overwhelmed by the sheer volume of improvements that might be tried. For example, does a company need to pay attention to six sigma levels of quality? Or does it need to install a just-in-time production scheduling system? Or does it need to pay more attention to its production or sales constraints? Perhaps an outmoded computer system is interfering with how the business is run. And what about shortening the time required to develop new products? The possibilities are endless. Unfortunately, many managers are not sufficiently discriminating about which projects they select. The result is a work force that is inundated with a cornucopia of change initiatives. Over time, they become immune to the latest pronouncement of what will save the company, and labor on using exactly the same systems and processes that they have always used. Eventually, the business slides into mediocrity, because management cannot make up its mind regarding what really needs to be changed.

This is a particular problem for a new company president, who begins with a modest amount of political capital within the business, and needs to expend it wisely on those change initiatives that will really make a difference. If her first few initiatives turn out to be ill-considered, employee support will trickle away, and she will be out the door in short order.

A further concern is that the real problems continue to go unaddressed while management is buried in its overhaul of what turns out to be the wrong project. This means that the underlying issues may fester for quite an extended period of time, thereby plunging the business into an even worse competitive, operational and financial position before someone finally addresses the core problem. In short, picking the wrong projects diverts attention away from the issues that really need help.

How can managers come up with just those changes that a business actually needs while avoiding all others? A good way to do so is by continually modeling expected changes in the industry. One way to do this is PEST analysis, which is described in a later section. The management team looks for indicators of change, models what will happen to the company if those changes occur, and determines the most critical change initiatives that will need to take place to respond to the altered operating environment.

EXAMPLE

The managers of Henderson Industrial have been closely following the negotiations for a new trade agreement that will open up one of Henderson's markets to a significant amount of lower-priced foreign competition. Management does not believe that Henderson can match these lower prices, and so decides to engage in a strategic pivot and move into a more upscale niche that emphasizes higher-quality products and increased service levels.

Based on this assessment, the most critical change initiatives will be to create a more responsive customer service department, greatly improve quality levels in the production area, and revise the research department's priorities to work on upper-end product features.

In essence, changes in the operating environment should dictate which change initiatives management should support. This approach works best when a company actively searches for or initiates disruptions, and can quickly determine how these disruptions will impact the firm.

The Impact of Lead Time on Change Initiatives

As noted in the last section, the planning for change initiatives works best when management can spot a disruption looming in the operating environment, and can then plan to deal with it. These plans will be most effective when the company will not suffer an immediate and severe impact from the disruption; there will be time to model several options and select the one with the best odds of success. The situation is much worse when a disruption has been ignored or employees are so reactionary that they have so far refused to deal with it. In this case, there is minimal time remaining for planning, so change initiatives will probably involve a single option that is crammed down on the organization by senior management. In this latter case, the option selected may not be the best one, and there will not be sufficient time to gain the buy-in of employees. The result is greatly reduced odds of success. Consequently, there is a direct relationship between the amount of lead time available and the success of a change initiative.

PEST Analysis

PEST analysis is used to examine the political, economic, social, and technological aspects of a business environment. It can be quite useful for spotting upcoming issues that may need to be addressed using a change initiative. This analysis is a key part of the ongoing strategic planning process for a business.

Significant changes in the components of PEST can trigger changes in the way a business should position itself within the market. Examples of the components of PEST are:

- *Political*. Includes the political stability of the countries in which a business and its customers operate, changes in employment laws that affect the cost or working conditions of employees, changes in regulations, changes in tariffs or customs regulations, or the implementation of new environmental regulations.
- *Economic*. Includes the expected rate of growth of the economy as a whole, the rate of government spending that impacts the company, the rate of inflation, and anticipated changes in interest rates and foreign exchange rates.
- *Social*. Includes changes in demographics that impact the company's customer base, changes in fashions that impact its sales, and alterations in the lifestyles of the population.
- *Technological*. Includes the introduction of new technologies that can impact the company, as well as the amount of bandwidth available to customers, access to electricity, the rate of spending on research and development within the industry, and the rate at which current technology is being rendered obsolete.

For example, if a PEST analysis were to be conducted on a public utility, several possible results would be an emphasis on the expected increase in use by customers of solar panels to generate their own power, the introduction of smart grids to control the use of electricity, and the expected increase in the cost of fuels used to generate electricity.

A PEST analysis will impact a business in different ways, depending upon its industry. For example, a residential home construction company will be heavily impacted by changes in the interest rate and shifts in population within the country. Conversely, an international engineering firm will pay more attention to political risks and exchange rates. Thus, some aspects of a PEST analysis will have little impact on a business, while other aspects will have a profound impact.

The Most Difficult Environments for Change

Some organizations have operating environments that are locked into the current business plan and processes, and employees react with great negativity to any proposed change. When evaluating whether a prospective change can be applied to an organization, it is useful to evaluate the environment on which it will be imposed. If the environment is especially toxic, it may be necessary to focus on fewer projects, and assume longer completion timelines and larger budgets in order to have any chance of success. Here are several environments that can cause trouble for a project:

- *Analysis paralysis*. Management teams engage in an inordinate amount of analysis of every issue, rather than making the best choice based on the available information. The result is protracted periods during which no or few projects are adopted.
- *Decision obstacles*. A company has an involved approval process for all new initiatives, requiring a series of presentations, reports, and sign-offs. It takes so long to maneuver through this mine field that few projects can even be started.
- *Golden goose protection*. The management team is highly protective of the core operating unit, and deflects attention away from it by engaging in initiatives related to entirely new products and services. This can result in stagnation in the core operating unit.
- *Jaded employees*. Employees have experienced so many failed initiatives in the past that they believe nothing will work for the company. Their response is to shrug off new projects and wait for the supporting managers to give up and go away.
- *Off-site plotting*. There is a culture of having little discussion during meetings, after which there is intensive discussion in private meetings, usually to derail proposed initiatives. In this environment, those most able to plot and play politics control the corporate agenda.
- *Reactive culture*. Managers avoid taking risks by heaping criticism on new initiatives, thereby squashing them before they get started. This environment is especially likely when the managers of functions or subsidiaries have substantial power, and so can easily fend off senior management's initiatives with a few well-chosen critiques.

All of the preceding environments can be deeply ingrained within the culture of a business, and so are especially difficult to eradicate.

Change Management Pitfalls

One of the main reasons why a change management effort tends to fail is that the average manager is not accustomed to dealing with it. These individuals are quite good at managing their functional areas, but since change management is relatively uncommon, they do not know how to proceed. The result is typically a bungled effort.

There are many reasons why the implementation of a change effort may fail. Managers should recognize that the following pitfalls may occur:

- *Risk paralysis*. One may perceive so many risks to implementing a change effort that the focus on negatives keeps the project from ever beginning.
- *Personnel blockades*. People who do not believe in the change or who feel threatened by it actively block the project.
- *Embedded cultural changes*. The change initiatives being advocated may be linked to underlying values and assumptions about how things should be done that contravene the values of the organization. For example, a change initiative that drives decision making down to the most junior employees may violate a core value of the business, which is respect for those who have been with the company the longest. In short, unaligned values can build employee resistance to change.
- *Minimal teaming experience*. It takes the combined efforts of multiple people to implement a major change initiative. If managers are not accustomed to working together as a unit, the effort may fail due to sheer inexperience.
- *Insufficiently senior management*. The person assigned to lead a project is too junior to have any management force within the organization, making it more difficult to gain the cooperation of others.
- *No leaders*. There may be no one capable of driving the effort forward. Instead, a mid-level bureaucrat with no investment in the project is tagged to be its leader. This person is accustomed to managing current operations in a more efficient manner, as opposed to the blow-it-up-and-rebuild requirements frequently called for by a new project. Thus, the very person most interested in maintaining the status quo is put in charge of a change effort.
- *Too few supporters*. There may be one or two advocates of change within a business, but this is not sufficient to achieve critical mass. Stated differently, there are more naysayers opposing a project than supporters favoring it.
- *Too few early wins*. There are no planned wins scheduled for the early stages of the project. In this situation, the project appears to be consuming significant resources without any return on investment. Thus, there is an increased risk of project support dropping off when there are no short-term wins.
- *Insufficient integration*. The changes implemented are not sufficiently interwoven into the policies and practices of the business, making it too easy for the organization to backslide to its old behaviors.

Dealing with an Environment of Repeated Failures

An exceedingly difficult environment in which to succeed with a change initiative is when employees have experienced a long series of failures with prior initiatives. When there have been many failures, employees are more likely to think that the failures are in some way their fault. This leads to a cycle of automatically assuming that they will fail at all change initiatives, so that they never really try to make a project succeed. Instead, they wait for the first indicators of failure, and collapse their efforts as soon as this moment arrives.

A history of failure is most likely to arise when the decisions regarding changes have been handed down from above, with little or no input from employees. In these cases, employees have not bought into the concepts, and the decisions may also be poor ones. When employees are asked to implement initiatives that are inadequate, it should hardly be a surprise when the projects fail.

A good way to break through the malaise of multiple failures is to state the problem to employees and then let them figure out how to proceed. With their higher level of expertise and knowledge of the industry, employees are more likely to come up with solutions that have a reasonable chance of succeeding. Also, since these proposals come from employees, they are more likely to support the resulting change efforts. With better ideas and support, these types of solutions have a better chance of success, even when employees have become accustomed to failure.

Dealing with Adverse Motivations

A major issue that can derail a change initiative is the existence of adverse motivations for employees. For example, the senior management team is telling employees that it wants to concentrate company efforts on the development of new sales regions, but the company bonus plan pays out a generous bonus for the largest possible increase in sales in the current quarter. Because of this strong motivation, employees push for sales in existing sales regions, and ignore sales in the new regions, where it takes too long to develop new customers. In this situation, senior management has pointed the company in one direction, while forgetting to alter a bonus plan that points employees in a different direction. Clearly, the bonus plan must be altered to support the new direction, perhaps by offering larger bonuses for sales originating in the new sales regions. Other types of adverse motivations are:

- Personnel plans that contain goals that do not align with the change initiative
- Employee stock option plans that provide rewards for activities not associated with the change initiative
- Funding commitments through the budget that direct funds toward other activities than those noted in the change initiative

When promulgating change, the manager must scan the organization to see if any of these adverse motivations exist. If so, include in the action plan the steps needed to bring these motivations into alignment with the change initiative, and then gain approval of senior management for the entire plan, inclusive of the motivational changes. Otherwise, senior managers will have to be drawn back in for additional approvals later on, when the project team discovers additional motivations that must be altered.

How to Structure a Project to Succeed

Based on the preceding discussion, there are many ways in which a project can fail. However, when the proper characteristics are present, a project has a much greater chance of success. These characteristics are:

- *Excellent team skills*. The best team members have a superior knowledge of the subject matter, are focused on task completion, and are able to solve problems by themselves. With this skill set, they can bulldoze through most obstacles, constructing innovative solutions along the way.
- *Minimal reconfiguration*. Employees are more likely to accept changes when those changes trigger a minimal increase in their workloads. The acceptance rate climbs when changes *reduce* an employee's workload. When there will be a short-term increase in work during the period covered by the change initiative, consider bringing in temporary or retired workers to handle the extra workload, rather than imposing this additional effort on the existing staff. This issue is particularly important when the staff is already working well beyond the normal 40-hour work week.
- *Short duration*. When a change initiative is expected to have quite a short duration – perhaps a few months – it has a much greater chance of success, because the initial enthusiasm for the project can be sustained, and there is less time in which delaying factors can arise. If a project will last for an extended period, then review its progress frequently in order to keep it on track. When a long-term project is especially complex, review its progress every few weeks to ensure that it is progressing at a reasonable pace.
- *Strong management support*. The management team must be willing to show strong, ongoing support for the project, routinely lauding its goals and how it will improve the organization.

It is useful to examine a prospective project in advance to see if it contains these characteristics. If not, the project can be altered before it begins in order to enhance its chances of success. Here are several examples of possible adjustments:

- A store reconfiguration is planned for all 100 stores in a company's northeast region. This will take a substantial amount of time, so the project scope is reduced to the 10 stores within one state.
- A software installation team lacks a software conversion manager. A consultant is hired to provide this additional skill for the duration of the project.
- A proposed production line reconfiguration will require line workers to perform 15 production steps each, rather than the current three steps. The reconfiguration is adjusted to require an increase from three steps to five steps, thereby making it easier for workers to accept the change.

An assessment of initial project structure is especially useful when a company is preparing to launch a large number of change initiatives. In this situation, determine which of the projects will have the most profound impact on the company, and ensure that those projects receive the most management support and are backed by the best team resources, thereby enhancing their odds of success. Conversely, if certain projects display characteristics that increase their odds of failure, consider delaying them until they can be more effectively supported.

Drivers of Change

A change management effort is more likely to succeed when certain circumstances are present. Consider a situation in which a company has brought in a new president. This person is not emotionally tied to any existing products, systems, or policies, and so is in a better position to effect change. Conversely, someone who has been in the position for years is accustomed to the existing systems, and so is less willing to implement radical changes.

There are also situations in which the conditions both enhance a change effort and make it more difficult to enact. Here are several examples:

- *Losses*. A potential driver of change is when a business is losing money. A minus sign at the bottom of the income statement can deliver quite a profound message to the management team, spurring them to action. However, those losses may mean that the company has a reduced cash reserve with which to make changes.
- *Profits*. When a company has built up its cash reserves from a long period of profitability, it is easier to allocate sufficient funds for a change effort. However, employees are less willing to support the change, since the company is still profitable, and so there does not appear to be any pressing need for the project.

Tipping Point Leadership

One of the key elements in change management is to win over a critical mass of employees. Once this group is fully engaged in the project, a tipping point is reached that makes it much easier to successfully complete the project. If a tipping point can be reached, it is likely that the project can be completed within a reduced time frame and possibly even using fewer funds than had originally been anticipated.

Conversely, *not* achieving a critical mass of supporters greatly lowers the odds of success. Those few true believers will spend an inordinate amount of time fighting against the inertia of other employees, likely achieving reduced or minimal results over a long period of time.

Given how critical the tipping point is, what actions can a manager take to make it more likely that the tipping point can be achieved? Here are several options:

- *Require direct experience*. Require employees to experience the problems themselves. This amplifies the severity of the problem and weakens resistance to change. For example, if customers are complaining about lengthy wait times on the company's customer service phone line, make employees call the line and see for themselves the extent of the problem. It is not sufficient to simply make note of a numerical decline in performance, which is excessively abstract – employees need to experience the issues personally.
- *Concentrate resources*. Shift the bulk of all manpower and funding to focus on those few highly specific areas that are causing the most trouble. Doing so causes immediate improvements that give this approach instant credibility. For example, if there are 20 identified problems causing long customer service wait times, concentrate attention on just that one issue causing 80% of the trouble – incorrect call center staffing during peak periods.
- *Focus on key personnel*. Key personnel are well connected within the organization and/or have the ability to block or obtain resources. Convince these key personnel of the need for change, and they in turn will bring along their networks of employees within the company, as well as their access to resources. Doing so is far more efficient than spending time trying to win over every employee. For example, if a senior person in the call center staff is considered the de facto leader of the staff, fully involve this one person in the effort, and let her convince her compatriots to help.
- *Shut down blockers*. Bring an experienced and respected political insider onto the team who can identify likely change blockers. This person can assist in determining the messaging or other actions to be employed against each targeted blocker. The actions taken can range from quantifying the targeted problem to firing the individuals causing trouble. Also, develop a broad coalition of people who are willing to support the change, thereby isolating those who are resisting it.

We recommend enacting *all* of the preceding activities as part of a focused change management effort. By doing so, the odds of successful project completion will increase dramatically.

Development Laboratories

One way for an organization to reach a tipping point in gaining acceptance for change is to enact change intensively in just one or two locations, such as a store, factory, or production line. At these locations, make it known that no one will suffer if a change initiative fails. Instead, allow project teams to "go wild" with ideas. Also, support these locations with the best employees, as well as significant funding and consulting assistance as needed.

Tip: Testing laboratories should be located in healthy markets, so that their natural operating results are already positive. Otherwise, even great improvements in a bad market can yield results that do not appear overly inspiring to the rest of the business.

Over time, a few improvements will bubble up from the general pool of average enhancements or outright failures. These improvements represent how the company's other operations *could* perform. With demonstrable successes readily available for viewing in these testing laboratories, it is much easier to convince a significant number of visitors that change will work. Once enough people have been rotated through these locations to experience the changes, resistance to change elsewhere in the business should crumble, making it much easier to spread these improvements throughout the organization.

To realize the maximum leverage from ideas generated at a development laboratory, the management group needs to organize an ongoing series of tours to rotate people from other parts of the company through the facility. In addition, once workable ideas begin to be generated at the laboratory, organize intra-company conferences to go over how these ideas are implemented and what types of outcomes can be expected from them.

Bottom-Up and Top-Down Change

When considering the issues that can arise for leaders in a change initiative, it is useful to ponder the effects of bottom-up and top-down change. In a bottom-up effort, employees are strongly encouraged to assist in creating the ideas that drive change. Senior management presents the general area in which change is needed and provides support, but employees are expected to provide the bulk of the change activities. The focus of these changes tends to be on the culture of the organization and the behavior of its employees – activities that cannot be mandated by executive action. For example, a bottom-up effort can be used to improve product quality or increase employee productivity. In this environment, managers act as coaches, helping employees to work together to arrive at the best decisions. This process results in considerable employee support, but change will occur relatively slowly, perhaps over a number of years.

A possible problem with bottom-up change is that the systems and processes of an organization will indeed be transformed – but not the corporate hierarchy that was already in place to manage the organization. For a widespread bottom-up effort to truly succeed, the senior management team must be willing to recognize that a more appropriate management structure should be used. This usually means switching from a strongly hierarchical structure with many levels to a flatter organization where much of the decision-making responsibility is shifted deep into the organization.

In a top-down environment, senior management makes all key decisions and forces them upon the organization. Input from the employee base is not expected or encouraged. The focus of these changes tends to be on the structure of the organization, such as outsourcing departments or spinning off subsidiaries – items that can be addressed with a few quick decisions, usually within a relatively short period of time. Clearly, decisions made in this environment are much less likely to be supported by employees, since they are not involved in the process. However, it can result in exceedingly rapid change, which can be important when a business is facing serious problems and needs solutions at once.

Neither one of these approaches is perfect. In a top-down change environment, a business is more likely to be aggressively downsized, which causes major fractures between the management team causing the pain and the work force upon which the changes are being inflicted. In a bottom-up environment, managers may become so attached to the workforce it is supporting that they are unable to cut back on staffing levels to any significant degree. One way to reconcile these problems is to first pare away those parts of the organization that are clearly not working, using a top-down approach to mandate the changes. Once the business has been shrunk down to a more manageable size, consider switching to a bottom-up decision process in order to build the capabilities of the remaining organization over the long term. However, the bloodshed from the first phase of the transaction may so badly color the actions of the management team that employees are not willing to work with them in the second phase of the operation.

The Impact of Turnover

When employees leave an organization, this can have a profound negative impact on change initiatives. The worst impact can come when the president is replaced. The agenda of the incoming president may be quite different from the one supported by the outgoing president. If the incoming president does not support existing change initiatives, it is likely that these projects will be downplayed or entirely defunded, possibly wiping out years of effort. Consequently, the hiring committee for senior management positions should inquire into the inclinations and plans of all job candidates.

There will also be turnover elsewhere in the organization. Whenever someone leaves who had been involved in a change initiative, that person's knowledge of and commitment to the change also walks out the door. Incoming personnel must be trained and inculcated in the principles of the change effort. If they are not, then a gradually increasing number of employees will have no personal stake in existing change efforts, and may not support them simply due to a lack of interest. The best way to avoid this problem is to maintain a strong training effort, so that new employees receive the same training that the rest of the company received when each change initiative was first introduced.

The Impact of Prior Sales

The level and pattern of sales that a business has experienced in the past can have an impact on its ability to handle change initiatives. For example, when a business has been tremendously successful in the past, employees may believe that their systems and processes have contributed strongly to this success, and so will be less inclined to change them in the future. In short, a history of prior success makes it more difficult to change.

The typical sales growth pattern for a business is that it starts with a few products or services that it is well-equipped to handle, and then branches out into more unfamiliar territory, taking on more complex products and/or more difficult sales transactions in order to keep growing sales. For example, it may be necessary to offer a range of product configurations in order to increase sales; each additional product configuration requires more production scheduling, a separate production run, and more inventory holding costs. These add-on sales involve such a high degree of additional complexity that the company becomes excessively focused on the internal processes needed to maintain the sales, rather than on its relations with customers and how well it is competing in the marketplace. A possible outcome is that change initiatives will be needed to strip away these more complex products, thereby returning the company to a more defensible core group of products.

The Role of Consultants

Consultants can be quite useful in certain types of change initiatives, but one must target their efforts precisely, or else their substantial cost will go to waste. They should not be used to provide overall direction – that task is reserved for the management team. Instead, consider using consultants in the following roles:

- *Problem identification*. When the senior management team has a history of shooting the messenger, make consultants deliver the bad news. This means hiring consultants to research the problems that a company is experiencing, and delivering a report of their findings to management.
- *Solution identification*. When management has elected to use a top-down approach to resolving problems, it may hire consultants to research the range of possible options available, and deliver a recommendations report. This approach does not work as well when a system of bottom-up change is used, since employees will be formulating their own solutions, and may even react poorly to the presence of outsiders who are engaged in the same activity.
- *Coaching advisors*. When a bottom-up approach to change is used, consultants can be assigned to the management team to advise them on their coaching styles. Once the managers are comfortable in their new roles as advisors to employee change teams, the consultants are no longer needed.
- *Technical advisors*. When employees have an idea to implement a technically-difficult initiative, experts can be called in to advise them in the technical aspects of how the change can be implemented. This can be a substantial consulting project for major initiatives, such as the replacement of major software systems.

In short, consultants have specific and highly useful roles within a change management initiative. However, additional efforts outside of these areas are likely to be wasted, since either the management team or employees are expected to fulfill all other functions.

Summary

The essential ingredients of a change management effort are a workforce that is fully aware of the need for change, and which is emotionally willing to engage in the changes needed to correct the situation. This group has a consistent view of problems and solutions, so there are no opposing camps that support different solutions. Further, the group is committed to the success of the organization and wants to see it continue in existence for the foreseeable future. Such a cohesive group is far more likely to successfully implement changes over the long term.

Unfortunately, such an environment is uncommon. A more likely scenario is one in which management has tried numerous initiatives, all of which have failed. Because of the failures, employees ignore the "latest and greatest" change initiative, steadily plodding along in their traditional activities with no real expectation of an improved outcome. Further, the culture does not respond well to significant changes, resulting in the twisting of all proposals in a direction that accommodates the current systems, rather than replacing them. There is a way to drive through changes even in this difficult environment. In the next chapter, we cover a regimented change management process that greatly improves the odds of success.

Review Questions

1. PEST analysis includes a review of the following factors, except for:
    a. Economic issues
    b. Technological issues
    c. Systemic issues
    d. Political issues

2. The following is a pitfall to watch out for when conducting a change implementation:
    a. An excessive number of early wins
    b. Risk paralysis
    c. Far too many supporters
    d. Too many team leaders

3. The following activity is more likely to result in a critical mass of employees supporting a change initiative:
    a. Extensive distribution of reports that show the problem
    b. Encourage the participation on the team of people who would otherwise block the project
    c. Try to win over every employee
    d. Focus resources on the initiative

Chapter 2
The Change Management Process

Learning Objectives

- Identify the reasons why a business may be mired in complacency.
- Recall the issues for which a prospective vision statement should be tested.
- Identify the methods used to keep a change from reverting back to the previous state.
- Specify the reasons why the results garnered from a change initiative may backslide.

Introduction

Those organizations that are most successful at fully implementing change initiatives do not manage these processes in a random manner. On the contrary, they understand that a certain path must be followed to improve the odds of success. In this chapter, we outline one such process flow, and then expand upon the various process steps to show how to deal with each one.

Change Management Process Steps

Anyone involved in a change initiative must understand that there is a specific process flow that has been proven to work, and that each step in this process must be thoroughly addressed before a change can be considered to have been successfully completed. To greatly improve the odds that a change initiative will be accepted within an organization, follow these steps:

1. *Create a sense of urgency*. This involves the discussion of existing or looming crises facing the business, as well as major opportunities. If there is no sense of urgency, it is nearly impossible to budge people from their zones of complacency. This is a particular problem in businesses that have had a history of success, where employees have no experience with problems that could obliterate sales and profits.
2. *Assemble a guiding coalition*. Locate those key people within the business who are willing to lead a change effort, and assemble them into a functioning team. This group must have sufficiently powerful titles, budgets, expertise, and networks within the business to drive through change.
3. *Develop a vision*. Devise a vision for the change effort, as well as an overarching strategy for how that vision will be achieved. This should be an easily understandable and compelling vision, not a complicated laundry list of improvement efforts. An organization can rally around a clear vision, but will be put off by an excessively detailed or unfocused one.
4. *Communicate constantly*. Use multiple communication channels and a high degree of repetition to communicate the vision and supporting strategy throughout the business. These communication channels may include not just the usual e-mails and newsletters, but every possible form of communication, such as during performance reviews, training classes, and quarterly financial reports. Further, the coalition leading the change effort should present an example of the best possible behavior needed to support the change. Only comprehensive messaging will shape the opinions of employees.
5. *Eliminate obstacles*. Any obstacle interfering with the change effort must be eliminated. This may include the replacement of existing processes, structures, and personnel. In essence, any bottleneck interfering with a project should be anticipated and dealt with as expeditiously as possible. When a serious obstacle remains in place for any period of time, the probability of success declines precipitously.

6. *Create wins*. Plan for a series of short-term and highly-visible wins, and reward employees for achieving them. These wins should be measurable and therefore unambiguous, so that naysayers cannot claim that the wins are really just a matter of opinion. Examples of short-term wins to be celebrated are:
    - Increase in inventory record accuracy
    - Increase in on-time shipping percentage
    - Increase in market share
    - New products are rolled out
7. *Roll forward*. With the initial wins just noted, the project earns an increased amount of respectability, allowing the guiding coalition to establish more goals, implement more changes, and eliminate more barriers to success.
8. *Lock in changes*. Once change initiatives have succeeded, integrate them into the fabric of the business, so that there will be no backsliding. This can involve integration into policies and procedures, employee training, and compensation plans.

All of the preceding steps must be followed, or else a project will experience a high risk of failure. However, if just one of the preceding steps must be targeted as being absolutely essential, it is the creation of a guiding coalition. More specifically, the group responsible for pushing change must not simply be a slight variation on the existing corporate hierarchy. If the existing hierarchy were managing the business effectively, there would be no crisis that requires change. Consequently, the coalition needs to operate outside of the normal operating structure of the business, working as an independent entity.

Dealing with Uncertainty

An additional concern when dealing with change is that the alterations needed will likely involve a considerable amount of uncertainty. This is because the changes encompass concepts that the business has never dealt with before, and so does not know how to handle. For example:

- An airline switches from small regional commuter turboprops to larger commercial jets. The change involves uncertainty, for it has no experience with the management of jetways, the management of large amounts of baggage, jet engine maintenance, and seating capacity optimization.
- A company elects to bring its manufacturing operations in-house, rather than using a lower-cost foreign producer. The company has no experience with production scheduling, the purchasing of raw materials and components, and how to lay out an efficient production operation.
- A company opens a sales office in a foreign location. The company has no experience with foreign exchange hedging transactions, dealing with foreign country tax returns, or partnering with foreign distributors.

In short, a business may be faced with overwhelming amounts of uncertainty when engaged in a change project. How can this uncertainty be factored into the change management process steps? The easiest but perhaps not the best way to do so is to recognize those parts of the project for which there is a substantial lack of knowledge, and budget generously for more time to complete them. The problem is that some of these areas will never be overcome when the staff is simply ill-informed about how to proceed. In these cases, it can make sense to bring in experts to shepherd the company through the roughest patches.

Creating a Sense of Urgency

The first step in the process of change management is to make very clear to the organization the extent and severity of the problems that it faces. This can be done in multiple ways. For example, the president could assemble information about declining sales, profits, on-time deliveries, quality levels, and so forth, and disseminate it throughout the organization. The distribution of this information could be accompanied by ongoing presentations to employees, informal chats, e-mails, and any other communications method that will force the organization to confront the issue.

The statement of the problem may be accompanied by information about how management plans to deal with the problem. It may take time to uncover the best possible ways to do this, but it is useful to present to employees an ongoing statement of the most likely path. The steps taken will likely involve a certain amount of pain, perhaps in the form of layoffs or shifting employees into new positions. If so, the information sharing may appear to be all bad – there is a problem, and the road to success will be difficult. Consequently, senior management must also strike a note in the discussion that there is a realistic way to succeed that will result in a better organization.

The discussion must be extensively applied throughout the area requiring change, for a large proportion of the affected employees must be willing to strongly support a change initiative. For example, out of an accounting department of 50 employees, one might need 20 of them (40% of the total) to be willing to devote a significant amount of time to a project. If only a few employees are reacting to the sense of urgency and the vision being promulgated, then the initiative will likely fail.

Perhaps the key issue interfering with a sense of urgency is the presence of its reverse – a sense of complacency. The entire management team in an organization may be complacent for any number of reasons, including the following:

- Criteria for what constitutes good performance have been set too low
- Managers do not go out into the field to view conditions for themselves
- The presence of functional silos, where performance is judged just on each silo rather than the company as a whole
- There is a history of success
- There is lots of busy work that interferes with strategic analysis
- There is no system for collecting or reviewing information from customers
- There is not a culture of confronting each other
- There is not an obvious crisis

When there are many factors contributing to a sense of complacency, it can be exceedingly difficult, if not impossible, to impart any sense of urgency to the organization. Actions that could be taken to deliver a strong jolt to an organization include the following:

- Selling a palatial corporate headquarters and moving into second-rate office space
- Selling off excessive assets, such as the company jet
- Replacing those managers who are most wedded to the existing situation
- Selling off the worst-performing subsidiaries
- Requiring that bonuses only be paid if tough goals are met
- Measuring company performance solely on its cash flows
- Forcing managers into the field to talk to customers and suppliers

Delivering Bad News

The foundation of a change management effort is the recognition by management that there is a significant problem that must be addressed. Examples of such issues are:

- A decline in market share
- The approaching end of patent protection
- The entry of new competitors into the market
- Comparatively low quality of customer service
- Flat or declining sales
- Flat or declining profits

It can be quite difficult for an organization to recognize these concerns, especially when there is a tendency to react negatively to whoever brings up these issues. This negativity can include derailing the promotion track of the person bringing up the concern, or even the termination of his employment for being a pessimist.

One way to deal with this situation without "shooting the messenger" is to hire an outside consulting firm. This firm investigates the indicated issues and provides both a report of the situation and recommendations for how to proceed. Since the consultants then leave the premises, there is no messenger to shoot. However, it is all too common for consulting reports to be shelved, with no action taken. Instead, a senior-level manager must then be willing to use the negative report as the basis for a campaign to implement change. If no manager is willing to take on this role, then it is impossible for a change project to proceed.

Members of the Guiding Coalition

No one person has the power to drive through a change initiative, unless the business is quite a small one. In all other organizations, there are just too many people to work through, which calls for a substantial coalition to provide guidance. This is especially the case when many changes must be made, since just one person would be completely unable to oversee the process.

The nature of the membership in the coalition guiding a project is critical to its success. Of most importance is to have multiple members of operational senior management supporting the project. This group has the greatest ability to influence the direction of budgeted funds, as well as the power to force others to accede to its wishes. In addition, there must be leaders in this group, people who can drive the change process forward. When there are too few leaders on a project and too many managers (a common occurrence), the likely outcome is too much attention to planning and too little attention to communicating the change to employees. An additional concern is to keep anyone with a large ego out of the guiding coalition. These people tend to take over teams, are not accepting of the opinions of others, and generally overwhelm everyone else.

Tip: The process of building a guiding coalition may uncover individuals who are too powerful to be left out of the group, but who will either be passive contributors or active opposers of the change initiative. This may be a good time to remove these people from the organization.

It makes little sense to put a manager in charge of a change initiative who does not have the sheer managerial heft that a person in an operational capacity can bring. For example, the chief operations officer runs most of an organization, and so can drive through changes that the chief planning officer does not have a prayer of achieving.

To a lesser extent, it is also useful to gain supporters among the technical specialists in an organization. This group may have a considerable amount of respect within the organization, due to their knowledge, and so can be more powerful supporters than might initially be indicated by their titles.

An additional group to consider adding to the guiding coalition is customers and/or suppliers. This group may have a direct interest in certain changes that impact them, and may even be drivers of the change. As such, they can work to bring about the cooperation of other customers and suppliers.

Yet another possibility for membership in the coalition is the company union. This group more commonly acts as a block to changes, if those changes will impact jobs. However, there are many situations in which a prospective change will increase the survivability of the business; if the union can be made to see that a project will protect jobs, then the union can become a powerful supporter.

Developing a Vision

A vision for the outcome of a change initiative is a major requirement for the success of the project. A vision statement can be used as the basis for directing the actions of employees, as well as for inspiring their actions. Without a core vision, the actions taken as part of a project will likely devolve into a variety of activities that are not compatible with each other and chew up a large amount of time and cash. Further, plotting the direction of a change initiative without a guiding vision means that each decision point will require an inordinate amount of time to resolve, which can destroy morale.

The ideal vision statement can be expressed in one or two sentences, and clearly states where a business realistically wants to go in the future. If the statement is too detailed, it probably just contains a laundry list of action items that management wants to engage in, without tying the items together into an overarching direction. Ideally, the vision statement should embody a common theme, under which a number of related change initiatives can be launched. For example, if the vision is to be the most innovative company in the industry, then related projects that can be clustered under this vision include partnerships with suppliers and customers to develop new product ideas, restructuring the organization to put more resources into product development, and engaging in acquisitions to bring related intellectual property in-house.

A prospective vision statement should be tested to see if it is realistic. This means working through the details to see if the organization has the funding, capacity, personnel, competitive environment, and other factors to actually achieve the vision. For example, a vision for a hamburger stand to become the biggest hamburger chain in the world might seem a trifle excessive, whereas downsizing the vision to be the largest chain in the county might be entirely possible. If a vision is clearly outrageous, then employees will not believe it to be credible, and so will ignore it.

EXAMPLE

Davis McMurty has been promoted to the position of president of Nova Corporation, which produces and operates deep field telescopes for several international astronomical organizations. The company has barely been making any money for the past few years, so Mr. McMurty assembles a list of cost-saving and revenue-generating initiatives to pull the company out of its rut. The changes are presented to employees, who roundly ignore every one of them.

On the advice of a consultant, Mr. McMurty tries again, but this time starts with the following vision statement:

> Nova Corporation seeks to protect the planet by building and operating the best scanning telescopes, with the intent of spotting meteors that could impact the Earth.

Employees react strongly to this vision statement, which results in a major drive to obtain every possible contract to provide meteor detection services. Based on the vision statement, employees also have an interest in improving the reliability and quality of the company’s telescopes, which gives it a further advantage in the marketplace.

A vision may result in significant personal pain for some employees, but if the vision is sufficiently well-crafted, they will see that following the vision is the only way to proceed. For example, it is obvious that a company will be liquidated if it continues selling into the same market. The vision is to switch entirely to a different market, which will require the retraining of the entire salesforce and perhaps some layoffs, as well. Because the alternative is to have no jobs at all, the vision will likely be accepted by employees.

Once a reasonable vision has been developed, management must push the vision out to employees repetitively and through every possible means of communication. For example, the vision statement can be expounded upon in employee meetings, voice mails, e-mails, newsletters, and slogans. Despite this effort, there is a great risk that the message will be lost amidst the vast amount of information that passes through an organization each day. To improve the odds that employees will receive and understand the message, consider the following enhancements:

- Simplify the vision statement to the greatest extent possible, avoiding jargon. The result is a message that is easy to deliver and comprehend.
- Convey the message through multiple forums. When the same information is presented from every possible angle, people are more likely to remember it.
- Repeat the message as much as possible. A vision statement needs to be repeated thousands (not dozens) of times for it to sink in.
- Every member of management must tailor their actions to match the vision. If not, employees will assume that the message is a sham. For example, a cost-cutting vision is a sham when the entire senior management team flies first class.

Communicating Constantly

When issuing information about a change initiative to employees, the project manager must first consider what the change will do to them. This means exercising a high level of empathy, putting oneself in the shoes of every person being impacted. The crafting of messages to them must incorporate how a number of personnel factors will be impacted, such as those noted in the following table.

Change Initiative Impacts on Employees

Ability to work from home	Flexible working hours	Power and influence
Challenge level of the work	Level of autonomy	Teaming arrangements
Compensation	Opportunities for creativity	Working conditions

Once the manager has a general idea of how employees will feel about the change initiative, it is now time to craft the message and determine how it will be communicated.

EXAMPLE

New Centurion Corporation transcribes Latin texts, using the services of a number of Latin scholars who work from their homes. The company is planning to switch to a new corporate headquarters that is located ten miles away from the previous headquarters building. The move manager knows that the key consideration for this group is the number of miles they will have to drive for weekly meetings at the headquarters building. Accordingly, he creates a table that shows the altered driving miles for each employee, noting that the average drive will decline slightly.

A manager who is deeply concerned about the strategic ramifications of a change initiative may make the mistake of communicating with employees solely about strategy issues. Employees are likely to be more concerned with how a project will impact their specific working conditions and whether they will continue to be employed. Given these differences in information requirements, the manager might engage in a lengthy presentation to employees, and yet answer none of their questions or concerns.

EXAMPLE

Nova Corporation has been approached by a major competitor about joining forces as a combined entity. Nova's president calls a meeting with the staff to inform them of the discussions. He focuses on how the proposed merger will result in more market share for the combined entities, but not the main issue for employees, which is whether they will retain their jobs.

Prior to this announcement, employees generally felt that they were partners in a growing enterprise. After the announcement, their feelings changed in the direction of believing they were simply a cost of the business that would likely be disposed of in order to create efficiencies for the combined entity.

A key element of the communications plan for a project is to understand that communications go in two directions. The project team must be willing to discuss issues with employees on an ongoing basis. This means taking the time to listen to their concerns and suggestions, and to respond within a reasonable period of time. When employees realize that management is actually listening to them, it is quite likely that the employees will become more cooperative, while also making suggestions of their own for improving the outcome of the project.

When there is no communications plan for a project, the project manager may fall into a trap of continually communicating with only those people she is comfortable with. Doing so excludes a number of other people, who may think that they are not included in the "in" crowd, and so will tend to resist the project. To avoid this trap, develop a plan for methodically discussing issues with anyone who is even remotely impacted by the project. This approach may shrink the number of sceptics, and may also uncover information related to the project that the manager had not been aware of.

Another technique enhancing communications is for the project team to anticipate the types of objections that will be raised, and have answers prepared in advance. When a project is initially presented to employees, these objections and answers can be included in the initial presentation, thereby short-circuiting a number of complaints. This is especially important when affected employees may lose their jobs or be reassigned as a result of the change.

EXAMPLE

A project team has been assigned the task of automating an entire production line. The project team leader works through how this will impact each production employee, noting where they will be reassigned or when they can expect their employment to be terminated. He then calls a meeting with the production staff and presents exactly how the change will affect them, and apologizes for its negative impact on them. The meeting is open-ended, and he ends up spending an hour answering questions.

The result is an increased level of employee turnover in the weeks following the meeting, but at a rate one-third that of another production line, where the team leader only posted a notice about future terminations and reassignments, with no follow-up meeting. Further, the other production line experienced a much higher rate of absenteeism and a decline in the level of product quality before it was automated.

Another communications issue to deal with is the likely employee response that this is "just another turnaround plan" to save the company. In many cases, a company will have run through multiple initiatives (and perhaps multiple presidents), to the point where employees shrug off each new plan as a doomed effort. In this situation, it can help to note specifically why a former plan failed, and how the new plan differs from the old one.

In cases where employees appear to be reasonably loyal to the company, it can make sense to lay out all of the facts of the situation, along with a reasonable analysis of what the company hopes to achieve through a change initiative. This approach assumes that the recipients are reasonable people who can be trusted to evaluate the information by themselves and see the project team's point of view. In situations where employees are slanted more strongly away from the project, it may be necessary to not only provide this information, but also be more actively persuasive by stressing the benefits of change. This more active approach cannot be pushed too hard, or else it will be perceived as false advertising.

EXAMPLE

Franklin Drilling is abandoning one of its oil fields in North Dakota and is shifting all production work to a different field in Colorado. Franklin has offered relocation packages to everyone working in North Dakota. The project leader has issued the relocation package to the North Dakota employees, but it has been met with a certain amount of suspicion. He decides to repackage the offer, noting a number of "soft" benefits, including the increased amount of shopping, professional sports, and schools in Colorado. The repackaged deal meets with a higher approval rating from employees. The two communications were identical in terms of their "hard" content, but the repackaged offer paid more attention to persuading the recipients.

The communication challenge becomes more difficult as the project rolls forward. At various times, employees will be depressed by the lack of progress, have to deal with the departures of colleagues, and perhaps cuts in compensation. At these times, the manager must be able to balance the need to impart realistic information with a reasonably optimistic tone that shows the way to a brighter future. This can be quite difficult, since employees must be encouraged to move forward with their assigned tasks while still being allowed time to process the loss of co-workers and possibly significant job changes.

As changes take root within the organization, a key focus must be on praising those employees whose efforts have resulted in the changes. The intent is to associate positive feedback with support of the project, so that employees will become more deeply involved in hopes of continuing to receive more praise (which may include more compensation).

Another communications factor to consider is how to most effectively respond to employee queries about the progress of tasks, and how a project will impact them. One of the best approaches is to engage in group question-and-answer sessions. These sessions allow the project manager to tailor status reports to the needs of the audience, as well as to respond to a large number of questions within a short period of time.

Tip: During question-and-answer sessions, have someone record the questions asked by employees, and post responses to the most common questions on a company intranet site or in a newsletter. By doing so, the most frequently expressed concerns can be addressed with the entire population of employees.

A major concern when dealing with communication issues is balancing the efficiency of the method used against the effectiveness with which information is delivered. E-mail is undoubtedly the most efficient method, since news can be distributed instantly to locations around the world. However, it ranks quite low on effectiveness, for it is perceived to be impersonal and represents a relatively poor way to obtain feedback. Communications in person are the reverse – they are highly effective, but are extremely inefficient. There is no ideal communication method that works in all situations. Instead, the method must be tailored to the circumstances.

EXAMPLE

The president of Pianoforte International has made the difficult decision to shift the production of the company's upright piano to a foreign location in order to reduce costs. The change will not be made for six months, so he needs employees to remain committed to their jobs for a substantial period of time; temporary workers cannot fill in for people who have worked on this product for the last 20 years. The president could issue a notice to the workers or have a subordinate give the bad news. However, given the critical need for continuity on the job, and as a sign of respect for the workers, he meets with them in person and stays as long as anyone has questions.

Eliminating Obstacles

Any number of obstacles can get in the way of a change initiative, which will either stop it entirely, divert it down a different path, or delay its implementation. Consequently, one must be aware of the issues that can arise and how to deal with them.

The worst obstacles are people with sufficient power to either stop or hinder a change initiative. One way to deal with this group is to involve them in the project, so that they can have some degree of control over the outcome. This does not mean that they can twist the project entirely to their own ends. However, their concerns will be heard and incorporated into the project to a reasonable extent. If the level of change is sufficient, they may then be encouraged to support the project. The issue, of course, is altering the objectives of the project just enough to gain their support, without moving away from the long-term objectives that the project was originally designed to attain.

Incorporating the views of a sceptic brings up a key issue from which project managers tend to suffer, which is not listening. They may be so involved in the righteousness of their visions that they try to push through changes without listening to anyone. This can be a fatal flaw, for sceptics may be taking their positions for a very good reason – there could be issues with a change initiative that will make it unworkable in its current form. Consequently, the project leader should always block out enough time to discuss her efforts with sceptics, and genuinely probe their viewpoints. It is entirely possible that their opinions are crucial to the success of the project.

There are other cases in which a person blocking a project is doing so for less valid reasons, such as an attempt to retain his power base within the company. When this is the case, attempt to marginalize their influence over the project by keeping them or their representatives off the project team and the committee controlling the project. A more indirect approach is to stuff the project team and committee with supporters, thereby overwhelming the votes controlled by the blocker. If the person is still having a negative impact on the project, it may be necessary to replace him with someone who is more supportive of the change effort.

If there is a coalition of people blocking a project, model what the effect would be if one or two people could be removed from the group. If doing so would result in a substantial decline in the power of the blockers, bargain with a few targeted individuals to shift them into supporters. This might result in modest changes to the project, or the inclusion of these people on the project team or the supervising committee.

Another obstacle to change is the structure of the organization. When people from multiple functional areas must sign off on a proposed change, the work required to gain the approvals will dampen the enthusiasm of even the most ardent supporter. Further, requiring the collaboration of multiple functional areas slows down the change initiative. To avoid these issues, consider examining the organizational structure in advance, and adjusting it so that authority for changes is centralized under just one person.

Yet another obstacle is when the work force is not sufficiently trained in how to do the work that a change initiative requires of them. They may be willing to put in extra time to learn on their own, but in the end will probably not be able to perform at a peak level. The solution is to identify what types of training are needed, provide it, and then conduct periodic tests to see if additional training is needed. In particular, there will probably be training gaps related to specific on-the-job skills. More than likely, the company will have to invest in additional training to ensure that everyone involved in a project is completely capable of performing as asked.

A further consideration is whether the company's systems support the change initiative. Ideally, all systems should encourage employees to participate in changes. For example:

- The sales manager wants to open up a new sales region, but no one wants to sell there, since the commission structure will result in lower earnings. The structure should be altered to provide for a higher commission rate for the first few years.
- A product development initiative has solicited new ideas and received none. The compensation system can be altered to provide for higher pay rate increases when an employee has a history of providing ideas that are turned into viable products.
- The company is pushing a higher level of customer service, but the human resources department is still giving preference to those recruits willing to accept a low hourly pay rate. The hiring criteria should be overhauled to increase the hiring of people who are genuinely interested in assisting customers.

Creating Wins

One of the key elements in the process of implementing change is to plan for and achieve a series of short-term wins. By doing so, it becomes apparent that a project is succeeding in reaching its goal, thereby bringing in additional support. Further, these wins provide proof that the project manager is capable of delivering on the entire project. Without a series of short-term wins, the reverse situation occurs – people begin to doubt that the project can be completed, and turn into active doubters. Further, the project sponsors have a more difficult time obtaining additional funding as the months and years pass without any visible success. In addition, it is difficult to maintain an adequate sense of urgency when deliverables may be years away. In short, it is essential to plan for and achieve a series of ongoing targets as a project progresses.

It will be necessary to actively search through project plans and locate those milestones that can be celebrated at regular intervals. This may require the project team to even alter the plan somewhat, redirecting resources toward milestones that will be most helpful in pushing along the project. Thus, the need for short-term wins should be considered during the initial project planning, as well as at regular intervals thereafter.

The milestones that can be used as short-term wins must be carefully selected. The ideal milestone should be one that has the following characteristics:

- There are few or no identifiable technical hurdles
- There are no bottlenecks in terms of people or processes that could stop work
- The project segment can be implemented by a small group
- The project segment already has adequate funding

There are few downsides to the use of short-term wins. There can be complaints that the achievement of a series of milestones requires more resources than if a project team simply focuses on the end result, with no intermediate crises to achieve the various wins. However, without those wins it is quite possible that the project will lose its funding and any sense of urgency. Consequently, some diversion of resources can be considered reasonable compensation for keeping a project on track.

Tip: Ensure that all short-terms wins are seen as group wins, where many take credit. Otherwise, a win may be seen as going entirely to the credit of the project manager, which can cause resentment within the team.

Rolling the Project Forward

One of the change management process steps was to use initial wins to build momentum, moving from one milestone to another. After a long series of these wins, management might be tempted to declare victory, pull back any further funding as being unnecessary, and move on to other activities. However, a basic rule of measuring progress is that there is either advancement or decline – there is no steady state. As soon as management begins to ignore a project, the results gained from it will begin to worsen – and it will be very hard to rebuild momentum. Consequently, it is almost never a good idea to declare victory and move on to other things.

A more appropriate way to deal with change management is to continue allocating a reasonable amount of funding to these projects, as well as providing them with senior management support for an extended period. By doing so, the changes become baked into the culture of the company. At this point some modest amount of support may still be needed, but the changes are then seen as being so essential to the success of the company that there will be little residual opposition to them.

The best way to roll forward projects is to continually target any existing systems that do not align with the principles established for the change effort. These systems must be reconfigured to seamlessly integrate with the new changes. Otherwise, the force of tradition within the company will tend to support these older systems over the newer ones, forcing the newer systems to be adapted toward their previous state.

Another roll forward issue is centered in the human resources department. When interviewing job candidates, the human resources staff should screen them to see if they will support existing change initiatives. In addition, the human resources group needs to alter its training programs to be fully supportive of all change projects. By doing so, employees are constantly reminded of the company's commitment to their projects and their roles in supporting the projects. Further, the human resources manager should provide input as part of any personnel advancement discussions, to point out those employees most supportive of change management. Taking these steps creates an environment in which change is more likely to be supported by employees.

Tip: The board of directors must be solidly behind all change initiatives. They will then realize that any president they hire must support those initiatives. Otherwise, they may hire someone who has other priorities, and who will then ignore what may have been years of change efforts.

Locking in Changes

The last change management step is to fully integrate the new systems into the company, to the extent that the changes are considered to have been fully institutionalized. If changes are not locked in, they will instead be considered alien to the way things have traditionally been done, and so will be gradually dismantled. This is a critical issue, for beliefs about how a business "has always been run" can persist for decades, and may eventually shut down what initially appears to be a successful change initiative.

EXAMPLE

Mole Industries was built on a core belief that the company would concentrate on the highest-quality trench digging equipment, and that customers would then be attracted to the excellent products. This belief appeared to be true for many years, until sales began to flatten out. At that time, a new president was hired who wanted to change the focus of the organization toward partial customization of products to exactly meet the needs of Mole's largest customers. This change resulted in a burst of sales as customers flocked to the new business model.

Glowing with success, the president retired after his fourth year with the company. From that point on, the company's ingrained focus on high quality products gradually reduced the amount of customization allowed, on the grounds that quality levels would be lower on partially-customized products. After three years, no customization was offered at all, and the company was right back where it had started.

The problem was that the new initiative had not been given enough time to take root within the organization, so the older belief structure took over.

There are a number of ways to lock in changes, including the following:

- *Publicize results*. Inform employees fully about the results of the changes. This means continually publicizing results where they are easily available to employees. Simply posting results on a trend line is not sufficient. Also produce an ongoing series of articles that tie the changes made to the favorable results experienced by the company; these articles should be explicit about cause and effect. The outcome should be a situation in which any employee can discuss how a change management project had a beneficial impact on the company.
- *Promote change agents*. The senior management ranks should *only* be stocked with people who actively support change within the company. Otherwise, the installation of even one relatively passive senior manager could undo years of work, resulting in new systems gradually being dismantled or ignored.
- *Attack disruptive behavior*. Whenever there is a case of disruptive behavior within the business, senior management publicly and vigorously criticizes the person causing the disruption. Doing so sends a strong signal to all parties involved regarding what will not be tolerated within the organization.
- *Localize decision making*. Employees are more likely to support change on a long-term basis when they made the decisions related to the change. This means that managers must coach employees in how to make decisions for themselves, rather than by imposing decisions from above.

Once changes have succeeded, integrate them into the fabric of the business, so that there will be no backsliding. This can involve integration into policies and procedures, employee training, and compensation plans. It can also be useful to wait a few months and then review how well change initiatives have taken hold within the organization. If there is significant backsliding, managers may need to alter their process for change implementations to make the outcomes "stickier," while also applying pressure to return completed projects to their original performance levels.

There are a number of reasons why the results of a completed project may backslide over time. Possible reasons, along with offsetting solutions, are noted in the following bullet points:

- *Employees leave*. Those responsible for the change decide to work for a different company. This effect can be mitigated by developing a succession plan for all positions, including ongoing training programs. Also, pay attention to career development planning and reward systems to reduce employee turnover rates.
- *Accountability not clear*. It is not clear who is accountable for maintaining performance levels, so that performance levels decline. This effect can be stymied by including responsibilities in job descriptions and measuring outcomes as part of employee performance reviews.

- *New hires alter systems*. New people brought into the company are not as invested in existing systems, and seek to replace them. Promote from within and use extensive training to mitigate this issue.
- *Funds run out*. A change effort may require a certain amount of ongoing funding, so if the funds are stopped, the project halts. Be sure to plan well in advance for the appropriate amount of budget allocations to ensure that this does not happen.
- *Employees are tired*. When a project runs for an extended period of time, employees become tired of the ongoing push for improvement, and are more likely to stop supporting the project. The effects of this common problem can be minimized by chopping up the project into smaller pieces and relaunching each successive piece with a new focus.

A possible issue for the change manager to be aware of is that it can take employees quite a long time to become accustomed to a new role. They need time to realize that their old tasks have changed to new ones, to get used to the new activities, and then to accept them as the new "norm." This transition period can mean that employees will unexpectedly push for a return to the old ways – perhaps months after the project was considered to have been completed – because they have not yet accepted the new system. Consequently, it may be necessary to maintain the pressure for change for much longer than might initially appear to be warranted.

Summary

It is essential to follow every step in the change management process, since each one addresses a separate success factor. For example, a strong guiding coalition is needed to provide support for a project, while short-term wins are needed to prove that a project team will eventually succeed in rolling out an entire change initiative. When any of these steps are ignored or completed within an excessively short period of time, this will likely result in a less successful outcome or outright failure. Consequently, the management team must become accustomed to the concept that change initiatives require a lengthy effort before they can succeed.

Review Questions

1. The following is a change management process step:
    a. Craft a project management plan
    b. Ensure that all capital budgeting requirements have been approved
    c. Develop a vision
    d. Throw a party

2. To improve the odds that employees will understand a vision statement, the following enhancement should be used:
    a. Make the statement as comprehensive as possible
    b. Focus on it during a keynote speech to the entire firm
    c. Managers must tailor their actions to match the vision
    d. Deliver it constantly through the highest-volume communications channel in the company

Chapter 3
Change Leadership

Learning Objectives

- Recognize the differences between a leader and a manager.
- Describe the different types of change agents.

Introduction

The type of person assigned to run a change initiative will have a profound impact on the success of the project. Some degree of leadership is needed, rather than the more common management skills found in most organizations. In this chapter, we note the essential differences between managers and leaders, describe the ideal change management leader, note the types of change agents that may be used, and also cover the particular challenges that leaders must be aware of when running a change initiative.

Management vs. Leadership

The essential underlying reason for management is to bring order to an organization. Managers develop policies, procedures, and processes to ensure that transactions are completed in the same way, every time. Managers are also involved with planning activities, ensuring that processes are appropriately staffed, monitoring results, and working on solutions to any problems found. These activities are exceedingly helpful for the improvement of operating efficiencies. In effect, managers are concerned with the improvement of the current system. However, change management calls for the upsetting of this high level of order, so that an organization can strike off in a new direction.

Leadership is all about developing a new direction and persuading others to go there – in other words, change. A good leader can cut through bureaucratic inertia and motivate employees to go off in a new direction. Leaders are usually not good at systems, and despise bureaucracy. Consequently, there can be some tension between the manager and leader roles, as managers seek to keep the current structure and leaders try to modify it or tear it apart.

A particular concern arises when a manager is tapped to lead a change initiative. The manager might be quite uncomfortable in this role, being asked to engage in activities that are antithetical to what she normally does on a daily basis. The ideal person is a manager who can implement the supporting systems needed to make a change initiative "stick," who also has enough leadership talent to persuade the organization to accept the change. Consequently, a key task in change management is to locate these dual-role individuals and slot them into change initiatives as frequently as possible.

Unfortunately, the typical business has many managers and few (if any) leaders, so the default leader of a change initiative is a manager. This is a particular concern in a rapidly-growing business, since these organizations need a large number of managers just to maintain control over the existing organization; they have no need for leaders, since they already have more business than they can handle. These organizations are tightly focused inward on operating efficiencies, and so are caught by surprise when external events (such as the arrival of new competitors) cause their financial and operating results to decline.

EXAMPLE

David Oberlin is the founder of Oberlin Acoustics, manufacturer of the famous Rhino Brand of electric guitars. The company has been wildly successful for the past 10 years. During that time, the company has added layers of management to grow into new sales regions and expand the original brand of electric guitars. Mr. Oberlin then sells his stake in the business and retires.

In the following year, the sources of hardwood needed for the most prized Rhino guitars are restricted due to wars in Madagascar, where the wood grows. This results in the company's first sales decline and a loss. At this point, the company has no leader to show employees a way out of its current bind. Instead, every member of the management team has been trained as a manager – to operate the company in its current form. One of these managers is promoted to president, and initiates a drive to lower costs, since that is the only activity he is comfortable with. He also stifles several initiatives put forward by employees, on the grounds that these involve additional costs that would impact short-term profits.

After several years of worsening results, Oberlin is sold to a competitor for a bargain price.

In the example, the company really was a victim of its own success, since its rapid growth mandated the hiring of managers, rather than leaders. When the company needed a leader to show the way out of its current problems, there were none available.

The Ideal Change Management Leader

A person who can lead a change initiative is not necessarily the same as a person who does a good job of running a department. The latter person is managing a status quo situation where a high level of efficiency is rewarded. The former person needs a substantially different skill set, which is:

- *Problem solver*. The person must be able to effectively elicit solutions from her team, or find solutions directly.
- *Results focused*. The person has a definite goal, which is to achieve the next milestone in the project plan, and ultimately to complete the change initiative by the planned date.
- *Responsible*. The person is comfortable with the responsibility that goes with making the series of decisions needed to complete a project, without repeatedly running the decisions up to a higher authority for approval.
- *Politically aware*. The person understands the power structure of the business, and can effectively work with people throughout the organization and business partners to complete change initiatives.
- *Maintains momentum*. The person is aware that interest in a change project can flag over time, especially when there is a fair amount of ongoing resistance. A change leader must be seen to be actively involved in the project, thereby pushing along others involved in the same effort.

This skill set is so critical that it may be wiser to wait for a better person to become available than to launch a project with a less-qualified person in charge of it.

A corporate insider is the default position picked to be a change management leader, since this person has authority within the organization, is (hopefully) trusted by employees, and has a network of associates who can be tapped for assistance.

A key concern to be aware of is that the existing group of managers within a business got into their positions by supporting the business as it is currently operated. Therefore, and even if they do not realize it, these managers are more likely to want to either maintain the status quo or not depart from it to a significant degree. Therefore, it may be necessary to dig deep into the organization to find someone who is willing to enact more radical change, or hire someone in from the outside who is not locked into the company's ways of doing business. If change initiatives are expected to be ongoing, then consider setting up a leadership development program that routes junior managers through change initiative programs as part of their training, and which instills in them the need to support change.

Types of Change Agents

A change agent is an individual that acts as an information resource or a driver of change. A change agent may be the leader of a project, but could just as easily act as an advisor, only providing advice when asked. There are several types of change agent, as we note in the following bullet points. Each type has certain advantages and disadvantages that must be considered when deciding whether to use it. The major types are:

- *Advisory*. As the name implies, an advisory change agent simply hands out advice; the person does not have a leadership role. Instead, the assumption is that this individual has more expertise in the subject area than those seeking advice. An advisory change agent can be quite useful when a change must be implemented quickly, so that employees do not have time to derive their own solution. However, the employees do not build up a facility for making their own decisions, so they tend to become dependent on the change agent for advice. Also, if the employees begin to have reduced confidence in the expertise of the change agent (perhaps due to a history of minimal improvements), they may start ignoring the person's advice.
- *Supporting*. A supporting change agent assists others in finding the best approach to solving a problem, as well as in how to resolve a blockage in a change initiative. This person has excellent listening skills, and asks probing questions so that employees can arrive at their own solutions. When this approach is used, the change agent may have made no suggestions at all, focusing instead on how to assist people in learning how to deal with their problems. A possible concern with this type of change agent is that employees may not have a sufficient knowledge of possible solutions to arrive at the best possible outcome.
- *Conceptual*. We just noted that the supporting role for a change agent may result in sub-optimal solutions. This concern can be alleviated by bringing in a change agent who knows about a wide range of solutions, and who is willing to present them to employees. A person in this role does not necessarily advocate any particular outcome. Instead, she presents the possible options and helps employees work through the issues associated with implementing each one. This type of change agent may not work out if the concepts presented appear to be overly theoretical.
- *Examining*. An examining change agent quizzes employees about their assumptions and beliefs, with the intent of highlighting any that are causing a change initiative to fail. If employees are unaware of these issues and are willing to change after having discovered them, this type of examination can result in blockages being removed from projects, allowing them to proceed more quickly. This approach is most useful when a change initiative has already started, which means that the underlying change concept has already been agreed upon.
- *Data collecting*. A data collecting change agent is used when employees are dealing with a complex issue, which they cannot resolve without first collecting pertinent information. This individual likely has expertise in the specific area under discussion, and so can point out what the employee does not yet know that can assist with making a decision. Since employees are conducting the actual data collecting themselves, they are less likely to doubt its veracity.

There is no perfect type of change agent. Depending on the circumstances, any of the preceding types may prove to be more effective than the others. Individuals acting as change agents can be trained in several of these roles, so that they can shift between different modes to deal with the circumstances of each case.

Leadership Challenges

There are a number of challenges that a leader must face when engaged in change management. Each one can limit a person's effectiveness for a variety of reasons, possibly resulting in a dead-end career or expulsion from the business. In this section, we cover several leadership challenges and how to resolve them.

One of the most significant challenges arises when a manager wades into a difficult situation and hands out a series of orders that are intended to quell the disturbance and immediately set the company on the right track. In the short term, this approach might feel right, since it gets the organization moving at once. It also appeals to the ego of the manager, who feels like a take-charge individual in the midst of these activities. However, this approach also means that every initiative can be traced directly back to that manager – other employees do not own the decisions, and so have no reason to support them. This is a core reason why many change initiatives fail. A better approach is to coach employees to make their own decisions regarding a change initiative. This takes much more time and is far less satisfying from an ego-fulfillment perspective. However, employees are more likely to take ownership of decisions that they have made, which results in a far higher project success rate and notably less grief for the manager.

A related problem is that too much decision making by the manager creates a high level of dependence on that manager, to the point where subordinates are even more reluctant than usual to make decisions. In this environment, everyone expects the manager to make the right decision every time – which is clearly impossible. Eventually, the manager will make a bad call that could have a profoundly negative impact on the prospects of the business. Again, driving decision making down into the organization is the best way to sidestep this potentially lethal issue.

One possibility is that a manager will lead such an impassioned attack on a specific issue that she is forever after associated with that one initiative. The result may a career redirection into constantly addressing the same issue multiple times throughout the organization, rather than being able to move up into a more comprehensive management role. For example, a manager becomes a certified black belt in dealing with six sigma quality issues, resulting in her career path being redirected toward six sigma efforts for years. One way to avoid this problem is to drive decision-making down into the team, so that the manager is no longer seen as a specialist, but rather as a facilitator of change.

An added benefit of driving decision-making down into the team is that the team leader is no longer tagged as being the person who 'owns" a decision. Instead, every member of the team that formulated and agreed to implement a solution are now responsible for it. If the decision turned out to be less than optimal, then responsibility is shared among the group; blame is not directed at the team leader. Further, if the group decision goes against a faction within the group, this faction can hardly direct its resentment at the team leader.

Another concern is being overwhelmed with the minutiae of a project, rather than pulling back far enough to view the project as a whole. Operating too far down in the weeds in this manner will probably result in a project eventually failing, since the manager is not trying to look ahead at potential pitfalls. The best way to avoid this trap is to continually view both the strategic and tactical aspects of a project, throughout the day. Also, be aware of the personal agendas of everyone impacting the project. Doing so makes it easier to spot developing trends and who might be resisting the change effort.

Fellow employees may be at the root of several of the preceding challenges. They are uncomfortable with the change that a manager is trying to enact, and so target the most visible representation of that change – which is the manager. By shunting aside or eliminating the manager, they hope to return to a more comfortable equilibrium where there is no change. One way to deal with this challenge is to make it quite apparent that there is a problem, by releasing information about the company's dire situation. In the face of such evidence, employees have a more difficult time justifying their resistance to change.

It is possible that a few employees will absolutely resist change, no matter what types of valid evidence a manager presents. These people may be located in other departments or in such high positions within the company that it is impossible for the project manager to shunt them aside. In this situation, the best approach is to keep a communications channel open with these people, rather than keeping them at a distance. This may involve regular meetings with them. By doing so, one can learn what they are thinking about the project, which may suggest alternative paths for how to deal with them.

A manager may need to deal with attacks that are being leveled against her personally. It is easy to become unhinged in the face of these attacks, perhaps resulting in copy-all "flame" e-mails directed at accusers, or similarly unwise forms of communication. When the parties become embroiled in one of these battles, the conflict becomes focused on the manager, rather than the change initiative, likely leading to a massive diversion of time and resources away from the project. A good way to mitigate the reaction to a personal attack is to instead view it as an attack on the position that the person occupies. After all, if the person were not leading a change initiative, would any hurtful comments be directed at her? Probably not. By understanding the reason for the attack, a manager is less likely to be bothered by it, and can deal with the comments in a more professional manner.

Yet another leadership challenge occurs when the project manager's own actions contributed to the situation that the company is now trying to repair. Perhaps the manager has retained incompetent people in management positions, or made bad calls in the past to waste assets on bad investments, or not entered into key new markets. Whatever the case may be, these issues must be publicly addressed, so employees understand that the manager is sharing in their pain during the period of transition. For example, if the manager has been supporting a wasteful project that is not contributing to the strategic direction of the business, she needs to shut it down. Or, if she has placed incompetent family members in management positions, these people need to be removed.

A general issue that leaders face is the intense personal pressure experienced during a period of change. They may feel harassed, underappreciated, blamed, and generally put upon. An outlet is needed that acts as a pressure release. One option is to block out enough time for a non-work routine every day, such as meditation, a walk, or a gym workout. Another option is to meet with a confidant away from the office who is willing to listen and offer suggestions. Ideally, use both options to assist in staying centered and unperturbed by the turmoil at the office. Unfortunately, a busy manager may falsely consider these activities to be optional, so that they are displaced as soon as activity at the office heats up. Consequently, one must block out time for these activities, giving them sufficiently high priorities that they will not be dislodged from their place in the daily schedule.

Summary

The person selected to run a change initiative has a massive impact on the outcome of the project. The ideal individual merges the skills of an experienced manager with the vision and motivational skills of a leader. These people are very hard to find. A reasonable alternative is to insert a leader into a project team, with several managers cast in a supporting role. Their combined efforts may then result in an ideal blend of these skills.

Running a change initiative is one of the most difficult tasks that a person can face. There will likely be conflicts to manage and a timeline and resources to oversee, while also negotiating through the maze of political issues that will arise. To survive this experience, one must keep a balanced view of both strategic and tactical issues, while also maintaining enough outside activities to keep from being overwhelmed.

Review Questions

1. The following are characteristics of an ideal change management leader, except for:
    a. Resolves all paperwork issues triggered by corporate headquarters
    b. Being able to elicit solutions from the team
    c. Maintains a tight focus on results
    d. Is politically aware of the power structure of the business

Chapter 4
Conflict Management

Learning Objectives

Identify the different methods used to deal with conflict.

Introduction

One of the key issues with change management is the amount of conflict that it triggers. People are concerned about the loss of jobs, changes from their comfortable routines, or the prospect that the organization may fail entirely. What is the nature of this conflict, and how can it be managed? We discuss these issues in the following sections.

The Nature of Conflict

The one issue that managers shy away from the most is the conflict engendered by change. They may want to avoid conflict so much that they refuse to force through changes at all, instead preferring to let the current situation continue indefinitely. In order to deal with conflict appropriately, it is necessary to understand why people disagree with change. Here are several examples:

- A very senior payroll clerk is unhappy about a plan to automate much of her job, and does not want to be retrained into a different position within the department. At the heart of her resistance is that she plans to retire in three years, and does not want to spend a large part of that time dealing with the uncertainty of a new job.
- A fellow manager is resisting a change to bar coded inventory tags in order to increase inventory record accuracy, because he believes the real solution is to switch to a just-in-time production system that requires much less inventory.
- The manager of a subsidiary does not want a planned switch to an accounting shared services center to move forward, because he prefers to maintain control over the local production of financial statements.

In the first example, the issue was not wanting to move away from an established comfort level. In the second case, the issue was a conflict over whether the change was the right one. And in the third case, the issue was over the relinquishment of control. Each sample conflict arose for an entirely different reason. In order to manage a change initiative, it is necessary to anticipate which conflicts may arise, as well as to stay in close communication with employees once the initiative has been announced, to unearth more potential conflicts.

The Level of Conflict

Organizations tend to have quite a difficult time dealing with conflict. Given the unwillingness to confront conflict, it usually remains in the background. A typical situation is that the president brings up a major change project in front of a large group of employees, and receives few (if any) comments about it. Afterwards, conflict occurs in the form of passive resistance to the project (not doing anything) or active resistance in the form of coalitions being formed behind the scenes to undermine the project. Even worse, the president (or other manager) is perceived to be the primary backer of the change initiative, so efforts are made to attack and ultimately unseat this person.

A different type of conflict occurs when it is very much out in the open, in the form of verbal or e-mail attacks on other employees. These attacks focus on the people driving the change, rather than the change itself, and can result in such poisonous relationships between people that they are unable to work together from that point forward.

The conflict resolution activities noted in the next section are needed to minimize the level of conflict that a change initiative can spark.

Conflict Resolution

The preceding discussions of conflict should make it clear that this issue is a serious one that can impact any change initiative. How can it be dealt with in a productive manner? Ideally, the destructive tendencies of people when engaging in conflict must be shifted to a constructive discussion that can result in better outcomes. Here are several ways to arrive at a better outcome:

- *Call a special meeting*. Create a special meeting to discuss the event, where the ground rules specifically allow everyone to state their honest opinions without any later ramifications. Consider using an impartial third party facilitator to run these discussions, rather than using a manager who may have a decidedly strong opinion about the project, and wants to control the discussion. Better yet, schedule a prolonged off-site meeting for the discussion, so that there is adequate time for a thorough discussion, as well as a complete lack of distractions.
- *Reduce anxiety*. The level of resistance to change increases when there are specific events during the change process that people believe may cause the entire process to fail. For example, there may be substantial doubt about the organization's ability to install a new production management system. When there is a clear basis for anxiety, target an unusually large amount of resources at the triggering item. When this level of focus eliminates the problem, the associated anxiety level should decline. Further, because there has now been a success, employees may be less concerned about the eventual success of the project.
- *Reduce the pace*. Some employees may be troubled by a rapid pace of change. They are concerned that there will be key failures along the way that cause the entire project to fail. If so, it may be necessary to occasionally reduce the pace of change somewhat. However, there is a risk in expanding the duration of the project to an excessive degree, since this increases the risk of failure. Instead, consider a reduction in pace only for those project steps that are causing the highest level of employee anxiety.
- *Model the future*. A change initiative is less likely to work when the project manager simply states the changes that will be made, without also describing how the organization will look once the changes have been completed. Instead, use ongoing events as a platform for showing employees a vision of the future. Doing so focuses employees on working together to achieve the group goal.
- *Throw a party*. Conflicts can build over time because there is no way to release the tension between the various parties fighting over a change initiative. It can sometimes help to call a time-out via a party or some other celebration. The intent is to give everyone time to mingle and give socialization a chance to defuse positions.

The preceding points are used as tools to ratchet down the level of conflict. This does not mean that the project manager uses these tools continually. Instead, try to maintain a low level of conflict. Doing so provides a modest amount of motivation for employees to explore alternatives and come up with the best possible model for change, rather than simply accepting the initial plan as the best possible one. In overwrought situations, it may be necessary to employ multiple tools at once; in a more cooperative environment, the project manager may never need to roll out any of these alternatives.

Dealing with Equity Issues

The project manager should be aware of any instances in which an employee might consider that a proposed change will impact him or her inequitably. When this may be the case, the impacted person is almost certainly going to resist the change. There are several ways to deal with this situation, which are:

- Recognize instances of inequality when a change initiative is first proposed, and alter the conditions of the change to even out any perceived inequality among those impacted by the change.
- Identify employees being impacted by the change who could feel that they are being unduly impacted, and ask them to be part of the change team. These people can assist in planning the change so that the negative impact on them (and others in the same situation) is reduced.
- Identify any positive effects of the change that the individual may not have recognized, which may offset some or all of the perceived level of inequality.

EXAMPLE

Failsafe Containment is rolling out a plan to expand into several new sales territories. As part of this plan, David Ibrahim has been assigned to a sales territory that is 400 miles away from his family. No other salesperson is this far away from his home, so there is a demonstrable amount of inequity. The project manager has numerous options for minimizing the inequity, such as splitting the territory with another salesperson, increasing the commission rate, and offering a generous relocation package so that Mr. Ibrahim can move his family to the new location.

Summary

While there are many issues that can trip up a change initiative, conflict management is one of the largest. When simmering conflicts are ignored, the chance of achieving success greatly declines. Consequently, one must put particular effort into anticipating potential conflicts and rooting out actual ones, so that each issue can be confronted and dealt with before it destroys a project.

Review Questions

1. There is conflict among employees over a proposed change initiative. One way to arrive at a reasonable outcome is to:
    a. Ratchet up the anxiety level
    b. Model how the firm will look once the change has been completed
    c. Delay any celebrations
    d. Commiserate with employees over the pace of change

Chapter 5
Evolutionary Change

Learning Objectives

Specify the circumstances under which evolutionary change works best.

Introduction

Not all change must be imposed by a sudden decline in the fortunes of a business. Other changes may be imposed in a less-conspicuous, evolutionary manner. These changes tend to occur in small ways that are barely noticeable as discrete events. And yet, the effects of these small changes can cumulatively result in significant shifts within a business over a period of years. In this chapter, we discuss the types of evolutionary change, the types of managers who are best at driving such change, and where it works best.

Types of Evolutionary Change

The classic change management scenario is one that requires a drastic improvement in performance or a complete repositioning in the marketplace. Evolutionary change involves a different scenario, where incremental changes occur *within* the existing business model. That is, there is no need to replace how the business currently functions. Examples of these changes are:

- A gradual increase in the proportion of minorities hired into the workforce.
- A gradual reduction in the number of key suppliers used by the company.
- An ongoing improvement in the time to market for new products.
- A series of changes in warehouse procedures that eventually result in a notable improvement in inventory record accuracy.
- Adjustments to work hours to accommodate more flexible work schedules
- Ongoing tweaking of the regions covered by each regional warehouse, to ensure that 95% of all customers receive their orders within two days of order placement.
- The ongoing elimination of dozens of quality issues related to the production process.

In all of these examples, the underlying systems are not broken, but are in need of improvement. Evolutionary change is needed to chip away at the indicated issues over time, eventually resulting in a much better outcome for the business. These changes are of the “tune up” variety, making modest adjustments to existing systems. They are conducted within the existing operational environment.

Evolutionary Change Managers

What type of person is predisposed toward making a series of incremental changes in a business? He or she likely has a mix of the following characteristics:

- *Good listener*. The person is willing to spend the time to fully understand the positions of others, and why they hold those positions. By listening carefully, she is better able to craft proposed changes that mesh with the beliefs of fellow employees.
- *Self-control*. The person is able to sidestep any verbal jabs, and recognize and respond to the underlying issue. By doing so, she keeps from being derailed by stray issues, and concentrates better on the long-term process of effecting change.

- *Good conversationalist*. The person is willing to engage in conversation on an ongoing basis with anyone. By doing so, the individual gains constant feedback regarding the state of her current initiatives, which allows for periodic tweaking to make them more acceptable within the organization.
- *Minimal ego*. The person has a sufficiently modest ego that she does not find it necessary to force her own opinions onto others. Instead, she is willing to support the positions of others in order to ensure that change occurs.
- *Modest disruptor*. A person willing to engage in evolutionary change does not hide amongst the masses of employees, conforming to every rule. Instead, she is willing to stand out in important ways to effect change, resulting in alterations to the status quo. For example, one might no longer accept weekend work assignments, in hopes of altering the company practice of employees working massive hours.
- *Ongoing focus*. The best evolutionary change manager is able to capitalize not only on short-term opportunities, but also on longer-term actions that may take years to complete. For example, consider the evolutionary change of gradually reducing the number of key suppliers used by a business. The purchasing manager may realize that ongoing pruning of the supplier list may take a decade to fully complete, and is willing to wait that long to achieve the goal.
- *Patience*. The person understands that evolutionary change is highly incremental, requiring years to achieve substantial gains; and yet, she is willing to continue working on the issue for as long as it takes to achieve an improvement.

The preceding characteristics are displayed by people who quietly go about their business, perhaps causing a small stir here and there, while still achieving notable improvements over the long term.

Where Evolutionary Change Works Best

Evolutionary change is more likely to occur in profitable organizations, since these businesses have sufficient cash flow to support long-term efforts. Further, the operating environment should be a stable one, where there is no expectation of externally-imposed discontinuities in the immediate future.

A good environment in which to attempt evolutionary change is when people can see a need for change, but cannot anticipate what the eventual outcome will be. In this case, a series of incremental adjustments are needed, where there is a pause after each step to decide how to proceed, followed by another incremental step, and so forth. The eventual outcome may be quite different from what anyone would have expected when the work began.

Attention to Evolutionary Change

Evolutionary change tends to operate at such a low level within an organization that the senior management team may not even realize that it exists. Instead, department managers are more likely to initiate and take responsibility for these initiatives, which are probably categorized as being of low to modest importance on their agendas.

Evolutionary changes tend to be centered within specific areas of responsibility, rather than crossing over several such areas. This means it is not necessary to obtain the cooperation of multiple managers to improve the odds of success. If an evolutionary change were to cross over multiple areas of responsibility, the higher level of coordination required for the effort would probably bring it to the attention of senior management.

Summary

Evolutionary change tends to be more readily accepted by employees, since it only involves incremental changes over a long period of time, and may not even be noticeable to many employees. It is typically sponsored by low-key managers who prefer to operate in the background, with no need to assert their egos on others. This type of change is recommended in stable environments where there is a reasonable assurance that the organization will be in business for a long enough period of time to benefit from the changes.

Review Questions

1. The ideal evolutionary change manager has the following characteristics, except for:
    a. Has a great deal of self-control
    b. Is patient
    c. Has a strong enough ego to drive changes forward
    d. Is a good listener

Chapter 6
Transformational Change

Learning Objectives

Recall the types of positions needed to support a transformational effort.

Introduction

In the preceding chapter, we noted how evolutionary change can be used to gradually improve a business over a long period of time. However, there may be cases in which an organization's business model is failing, so that it does not have the time to work through such a change process. Or, it needs to strike out in a new direction by re-inventing how it does business. In this situation, it is necessary to use transformational change instead. In this chapter, we cover the nature of transformational change, re-orientation, and re-creation. We also address the type of person who should lead a transformational change, and the likely reaction of employees to the resulting disruption.

Transformational Change

Transformational change is needed when a business either wants to create a new playing field or alter the rules under which competitors play the game. By doing so, a company can gain a massive advantage over its competitors, because they are still working under the assumptions of the old model of competition, which the company has sidestepped.

Transformational change is quite difficult for an established company to successfully complete, since the business was built around the concept of competing in the old operating environment. The business must now be torn apart and reconfigured in an entirely different way. For example, a web site service that was entirely text-based is now converted into one that is entirely video-based. This requires management to eliminate the writers formerly needed to provide content, and replace them with a new group of video production personnel.

Transformational change is frequently initiated when management suddenly realizes that the company is in trouble and must be redirected at once. In this situation, the tension of knowing that the company is failing is combined with the tension associated with the changes being implemented, resulting in great angst among employees. When the intensity level is so high, senior management must direct more resources toward the management of change initiatives in order to keep them on track. It is entirely possible that the company president will take direct responsibility for the oversight of these efforts, and that these change efforts will be the central point of discussion for the senior management team.

Corporate Re-orientation

One type of transformational change is the re-orientation of a business. This is a complete redefinition of what an organization does. For example, a manufacturer of radios could decide to switch to doing field service repairs on cell phone towers. Or, a lender that specializes in leasing airplanes to freight haulers expands downstream and creates its own air freight service. As another example, a vodka distillery expands upstream and buys a bottle manufacturing company, thereby securing its source of supply. The first example represents a complete switch into a new field, presumably capitalizing on the company's expertise with electronic equipment. The next two examples involved expansions into the spaces formerly occupied by customers and suppliers.

A corporate reorientation is a massive effort, since it requires a business to move into an area in which it had not operated before. In essence, this is a corporate startup situation, where everything must be constructed "from scratch." A significant danger is the temptation for employees to copy the existing systems and processes of the company into the new business units. Doing so may result in highly inefficient systems being used, thereby negatively impacting the ability of the company to operate. An alternative that sidesteps this problem is to separate the new business units from the existing business, and place them under different management. The employees in these new units can be encouraged to build systems and processes in whatever manner is needed to improve their odds of success.

Corporate Re-creation

Another type of transformational change is the corporate re-creation. This involves a makeover of the organization, while keeping it focused on remaining in its existing market. Corporate recreation inevitably involves the destruction of many processes within a business, and so may be resisted fiercely by employees. They are more likely to resist than would be the case with a corporate re-orientation, since they argue that existing processes can still be used to service existing customers, rather than tearing up the corporate playbook and starting over. For this reason, a re-creation effort can be much more difficult than a re-orientation effort.

A corporate re-creation can result in the termination of employment for a number of employees – especially in senior management – since these people are wedded to the old methods and so must be cleared out in order to reduce resistance to the re-created systems and processes.

Corporate re-creation is particularly difficult when the values and assumptions about how to engage in work are completely different under the new system of operation than under the old system. Employees have an especially hard time adapting to new value systems, and may elect to leave the company, rather than try to adapt to the new state of affairs.

Transformational Change Leaders

In the preceding chapter, we implied that *managers* run evolutionary change programs. This is because evolutionary change nestles into existing systems, which managers routinely oversee. However, transformational efforts require leaders, rather than managers. A transformation is an inherently painful process that steps outside of the existing systems, so it requires a leader – someone who can create a vision of where the company is going, and convince employees to follow her.

However, transformational efforts require a massive amount of planning, system redesign, and control. Leaders are not known for having these skills, unless they are rare cross-over individuals who can both manage *and* lead. Consequently, a successful transformation effort requires both a leader to point the way and several managers to organize the effort.

Employee Transition Phases

When employees are confronted with a transformational change, it may have a significant impact on them, to the extent that they need to work their way through multiple transition phases. The person running the change initiative should be aware of these phases, in order to know how to deal with them. The most commonly recognized phases for how employees deal with a major change are:

1. *Shock*. Employees may initially feel overwhelmed when confronted with a change that impacts them in a major way. They may panic or at least feel a heightened level of anxiety, which keeps them from dealing with the actual issue – they are, in effect, immobilized. One can attempt to deal with this phase by showing empathy, as well as by keeping them informed about the progress of the project to the greatest extent possible.
2. *Denial*. Employees may attempt to reduce their anxiety by not confronting the change. Instead, they retreat into established activities, and may react quite negatively to any mention of the change. One

can repeatedly describe the forthcoming change and show a timeline of upcoming events in order to drag someone out of the denial stage. Also, consider taking action as soon as possible, so that employees spend the minimum amount of time in this stage.

3. *Depression*. Once a person comes out of the denial stage, he may recognize that the old way of doing things has come to an end, and becomes depressed. Depression is caused by the person no longer having the stability of the old system to rely upon, and may lead to bouts of anger or withdrawal. One can assist a person through this stage by listening to them talk through their feelings and giving them sufficient space to work through issues by themselves.
4. *Acceptance*. The person finally accepts what is going to happen. In effect, the person has bottomed out and is now searching for ways to fit into the new reality. This phase can be encouraged by providing new targets to pursue, pointing out upcoming deadlines, and noting the benefits that will accrue from the upcoming change.
5. *Internalization*. The person explores ways to work within the new norm, finding those behaviors and work routines that are most acceptable. Some time may be required before the person settles into the new routine. One can encourage this phase by fostering creative thinking, assisting in the identification of different options, and encouraging experimentation with different approaches. Further, be sure to praise successes when an employee finds a new way of working within the changed system.

Using a single approach to dealing with all employees, no matter where they may be in the transition process, will only be successful for that portion of the employees working through a phase of the transition where they are responsive to that approach. Consequently, it is necessary to routinely interact with employees to determine which phase they are working through.

Summary

Transformational changes are the most difficult change efforts, since they revolutionize the operations of a business – and employees do not like revolutions. Nonetheless, these projects are needed from time to time, so senior management must be aware of two key elements of these events – the types of people needed to lead the project and the likely reaction of employees to the change. In addition, every step of the change management process, as described in an earlier chapter, must be completed in order to assure the highest probability of success.

Review Questions

1. The following is a phase that any employee may go through when dealing with a major transition in his work life:
    a. Stopping all work
    b. Sabotage
    c. Hysteria
    d. Depression

Answers to Course Questions

Chapter 1 – Overview of Change Management
Review Answers

1. PEST analysis includes a review of the following factors, except for:
    a. Economic issues
    b. Technological issues
    c. Systemic issues
    d. Political issues

    a. Incorrect. PEST analysis includes a review of the expected rate of growth of the economy as a whole.
    b. Incorrect. PEST analysis examines how the introduction of new technologies will impact a company.
    c. **Correct. PEST analysis examines social issues, rather than systemic issues. A sample social issue is changes in demographics that may impact an organization's sales.**
    d. Incorrect. PEST analysis includes a review of the political stability of the countries in which a business and its customers operate.

2. The following is a pitfall to watch out for when conducting a change implementation:
    a. An excessive number of early wins
    b. Risk paralysis
    c. Far too many supporters
    d. Too many team leaders

    a. Incorrect. A large number of early wins buoys support for a project, and also shows that the team is capable of taking the project through to its logical conclusion.
    b. **Correct. People may perceive so many risks to implementing a change effort that the project never begins.**
    c. Incorrect. The more supporters the better, since this represents a core group that can more easily persuade the rest of the organization to go along with the change.
    d. Incorrect. The usual problem with a change initiative is that there are no leaders assigned to the team at all, so there is no one providing a vision or persuading others to support it.

3. The following activity is more likely to result in a critical mass of employees supporting a change initiative:
    a. Extensive distribution of reports that show the problem
    b. Encourage the participation on the team of people who would otherwise block the project
    c. Try to win over every employee
    d. Focus resources on the initiative

    a. Incorrect. Employees need to experience the indicated problem themselves in order to comprehend the extent of the issue that needs to be fixed.
    b. Incorrect. Including an active detractor on a project team will allow the person to destroy the initiative from within.
    c. Incorrect. It takes too long to win over every employee. Instead, focus on persuading those key personnel within the company who can convince others to support the project.
    d. **Correct. Shifting the bulk of all manpower and funding to the initiative will improve the odds of being successful.**

Chapter 2 – The Change Management Process
Review Answers

1. The following is a change management process step:
    a. Craft a project management plan
    b. Ensure that all capital budgeting requirements have been approved
    c. Develop a vision
    d. Throw a party

    a. Incorrect. A project management plan is a likely offshoot of the change management process, but it is not central to the task of managing change.
    b. Incorrect. Not all projects require capital funding, so obtaining such approval is not always important. Also, as long as there is management support, there will be funding support.
    c. **Correct. A vision is mandatory, since it focuses employee attention on the direction in which the organization is going.**
    d. Incorrect. A party can be used to celebrate wins at various stages of a project, but it is not a requirement of the process – merely one way to bring the team together.

2. To improve the odds that employees will understand a vision statement, the following enhancement should be used:
    a. Make the statement as comprehensive as possible
    b. Focus on it during a keynote speech to the entire firm
    c. Managers must tailor their actions to match the vision
    d. Deliver it constantly through the highest-volume communications channel in the company

    a. Incorrect. The vision statement should be simplified, without any jargon. It is then easy to deliver and comprehend.
    b. Incorrect. A single delivery of a vision statement is grossly inadequate to foster employee retention. It must be repeated thousands of times.
    c. **Correct. When managers tailor their actions to the vision, employees are more likely to believe that the vision is firmly supported by the management team.**
    d. Incorrect. The vision statement must be delivered through every possible channel, so that employees are more likely to remember it.

Chapter 3 – Change Leadership
Review Answers

1. The following are characteristics of an ideal change management leader, except for:
    a. Resolves all paperwork issues triggered by corporate headquarters
    b. Being able to elicit solutions from the team
    c. Maintains a tight focus on results
    d. Is politically aware of the power structure of the business

    a. **Correct. A good clerical person should be able to handle all paperwork issues associated with a project; this is too detailed a role for a change management leader.**
    b. Incorrect. A change management leader should either be able to resolve issues directly or gather ideas from members of the team.
    c. Incorrect. A change management leader must be able to keep the project on track by hitting a series of milestones.
    d. Incorrect. An effective change management leader must be able to work with people throughout the organization.

Chapter 4 – Conflict Management
Review Answers

1. There is conflict among employees over a proposed change initiative. One way to arrive at a reasonable outcome is to:
    a. Ratchet up the anxiety level
    b. Model how the firm will look once the change has been completed
    c. Delay any celebrations
    d. Commiserate with employees over the pace of change

    a. Incorrect. More anxiety equates to more conflict, so dial down the anxiety level by dealing with those issues that are of the most concern to employees.
    b. **Correct. Describing the future state of the organization in detail gives employees a realistic vision of the future that can reduce their anxiety level.**
    c. Incorrect. A party or other type of celebration is a good way to call a time-out and allow everyone to mingle and defuse their positions.
    d. Incorrect. If employees are concerned about the pace of change, then be willing to slow down the project.

Chapter 5 – Evolutionary Change
Review Answers

1. The ideal evolutionary change manager has the following characteristics, except for:
    a. Has a great deal of self-control
    b. Is patient
    c. Has a strong enough ego to drive changes forward
    d. Is a good listener

    a. Incorrect. An evolutionary change manager must be able to recognize and respond to underlying issues, rather than responding at once to verbal jabs.
    b. Incorrect. An evolutionary change manager understands that this type of change takes a long time, and so is willing to work for years to create change.
    c. **Correct. This manager is willing to support the positions of others in order to ensure that change occurs, which requires quite a small ego.**
    d. Incorrect. This manager is willing to spend the time to fully understand the positions of others, which requires excellent listening skills.

Chapter 6 – Transformational Change
Review Answers

1. The following is a phase that any employee may go through when dealing with a major transition in his work life:
    a. Stopping all work
    b. Sabotage
    c. Hysteria
    d. Depression

    a. Incorrect. A person may stop work for a variety of reasons, and may do so in particular when depressed about a transition. However, it may not happen at all.
    b. Incorrect. A person may engage in active or passive resistance to change, but outright sabotage is unlikely, since it is a job-threatening move.
    c. Incorrect. A person is more likely to internalize his concerns about a transition than to become outwardly hysterical.
    d. **Correct. A person may become depressed, due to not having the stability of the old system to rely upon.**

Glossary

A

Active resistance. When someone takes the initiative to work against an action.

C

Change agent. A person who causes a change in the way things are done.

E

Evolutionary change. Incremental modifications made over a long period of time.

L

Leadership. The ability to establish a vision and convince others to follow it.

M

Management. The organization and coordination of business activities in order to achieve an objective.

P

Passive resistance. When someone provides no assistance to complete a task.

PEST analysis. An analysis used to examine the political, economic, social, and technological aspects of a business environment.

R

Re-creation. The makeover of a business while remaining in the same market.

Re-orientation. The redefinition of what a business does.

V

Vision. An aspirational description of what an entity wants to accomplish in the future.

Index

Final Examination

The final examination for this course is provided below. Feel free to circle your choice for the best answer to each question. To enter your answers online and receive an immediate grade and completion certificate, follow these steps:

1. Go to www.accountingtools.com/cpe
2. Click on the "Access the Training Module | Complete a Test" button near the top of the page.
3. Login with your user name and password.
4. Select the **Take a Test** option and then select the **Programs** option. Click on the program that you want to take.
5. Take the test. You can stop and restart the test at any time.

---

1. A company located in a(n) ___ market may not have to engage in change initiatives for years.
   a. Niche
   b. Low cost
   c. Competitive
   d. International

2. Managers can determine which change initiatives to enact by:
   a. Looking at historical trends
   b. Reviewing what competitors are doing
   c. Rolling forward the budget
   d. Modeling expected changes

3. A difficult environment in which to operate a change initiative is when:
   a. There is a history of many failed change attempts
   b. There is a culture in which debates during meetings are encouraged
   c. There is an unusually brief analysis of change proposals
   d. The management team is highly protective of its change initiatives

4. A project has been properly structured to succeed when:
   a. There is one strong supporter in a management group of 10 people
   b. It has a long duration
   c. A group of trainees has been added to the team
   d. It requires minimal reconfiguration of existing systems

5. Consultants are used in the following roles for a change management initiative, except for:
   a. Identifying solutions
   b. Leading the team
   c. Advising on the technical aspects of the initiative
   d. Coaching employees

6. A reason for complacency is:
   a. A comprehensive performance review system
   b. Regular visits by managers to customers
   c. A history of success
   d. Employee confrontations during meetings

7. The managers of a business have a bad habit of shooting the messenger. What approach to delivering bad news may sidestep this issue?
    a. Have a junior staff person deliver the news
    b. Have the internal audit staff deliver the news
    c. Hire a team of consultants to research the issue and deliver a report
    d. Only have someone at the level of at least a vice president deliver the news

8. A vision statement should be tested by seeing whether the organization has the ___ to achieve the vision.
    a. Personnel
    b. Strategy
    c. Tactics
    d. Goals

9. A change initiative, once completed, can be locked in place by:
    a. Publicizing the results to employees
    b. Using a fair and impartial system to promote employees
    c. Centralizing decision making
    d. Delivering behind-the-scenes rebukes to those causing disruptive behavior

10. The results of a change initiative may backslide over time, due to:
    a. The assignment of responsibility for it to a specific person
    b. The departure of key employees
    c. Cutting up a project into smaller pieces
    d. The shifting of support to a different group of senior managers

11. A difference between a leader and a manager is that a leader:
    a. Is deeply concerned with the existence of a sufficient number of controls
    b. Ensures that sufficient funding is available to support a change initiative
    c. Convinces others to support a vision
    d. Closely monitors the status of a project in comparison to its budget

12. The following are types of change agents, except for:
    a. An opposing change agent
    b. A conceptual change agent
    c. An advisory change agent
    d. A supporting change agent

13. The president of a company is known to have a strong opinion about a change initiative, and so is not considered impartial. In this case, ___ could be used to run a special meeting to discuss a conflict.
    a. A union representative
    b. A representative of the employees
    c. A more junior executive
    d. A third party facilitator

14. Evolutionary change works best in an organization that:
    a. Operates in an unstable environment
    b. Has recently had its entire senior management team replaced
    c. Is profitable
    d. Must deal with short product life cycles

15. A transformational effort requires the active assistance of:
    a. A leader
    b. A manager
    c. A leader and a manager
    d. The budget manager