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# **Managing Organizational Change**

**By Michael W. Durant, CCE, CPA**

The increased pace of change that many of us have encountered over the past ten years has been dramatic. During the late 1980s, many of us were grappling with issues that we had never encountered. The accelerated use of leverage as a means of increasing shareholder wealth left the balance sheet of some of America's finest organizations in disarray. Many of our largest customers, that for years represented minimal risk and required a minimum amount of time to manage, consumed most of our energy. By the end of 1993, many of these organizations had either resolved their financial troubles in bankruptcy court or no longer existed.

Just as we began to think the external environment would settle down and our professional lives would return to a normal pace, many of our organizations initiated efforts to improve operating efficiency to become more competitive in the world marketplace.

Competition has heated up across the board. To succeed, the organization of the future must serve customers better, create new advantages and survive in bitterly contested markets. To stay competitive, companies must do away with work and processes that don't add value.

This hypercompetition has invalidated the basic assumptions of sustainable markets. There are few companies that have escaped this shift in competitiveness. Entry barriers, which once exerted a stabilizing force on competition, have fallen in the face of the rapid changes of the information age. These forces have challenged our capacity to cope with organizational life.

## **Permanent White Water**

Things are not going to settle down. Many things we used to take for granted are probably gone forever. We cannot predict with any certainty what tomorrow will be like, except to say that it will be different than today.

Peter Vaill has captured the essence of the problem of a continuously changing context in a compelling image - "permanent white water." In the past, many of us believed that by using the means that were under our control we could pretty much accomplish anything we set out to do. Sure, from time to time there would be temporary disruptions. But the disruptions were only temporary, and things always settled back down. The mental image generated by these thoughts is that of a canoe trip on a calm, still lake.

However, Vaill explains, in today's environment, we never get out of the rapids. As soon as we digest one change, another one comes along. Usually there are many changes occurring simultaneously. We have limited control over the environment, but to navigate

the rapids we must exercise skill. The “permanent white water” image has a strong visual appeal, conveying as it does a sense of energy and providing a visual sense of navigating on an unpredictable wild river.

### **Creating the Vision**

Vision and leadership drive successful change. As the change agent, first you must create a vision of the future that is capable of focusing the group’s energy. The vision should contrast what is with what can be and it must be comprehensive enough to direct attention at how to bridge the gap to the future.

Change must become a core organizational value using customer feedback, internally developed organizational improvements and other external feedback. Change initiatives should also be linked to efforts to improve overall performance and profitability.

Commitment from senior management at the earliest stages of the change process is required. Managing change effectively requires an understanding of the variables at play, and adequate time must be allowed for implementation.

### **Three Stages of Change**

To thrive in the chaotic world we live in, we must embrace strategies that have been developed to successfully manage change. The theory and practice of organizational change contains elements of both behaviorist and cognitive learning theories. An investigation into change within an organizational setting reveals a three-stage process of unfreezing, change and refreezing.

Unfreezing is the first stage of the change process and consist of unlearning past behavior. The change process begins when the organization experiences disconfirmation. Disconfirmation is experienced in the form of cognitive dissonance. Cognitive dissonance is a concept taken from the field of psychology that refers to incompatibility between two or more attitudes or between behavior and attitudes. Inconsistencies from the desired state are uncomfortable and we try to reduce the dissonance and thus the discomfort.

Disconfirmation may be caused by external pressures or convincing data from within the organization. An external example might occur due to pressure applied to senior management by shareholders to increase the return on their investment. Dissonance may be generated by internal benchmarking research that reveals areas in the organization that require attention. If the factors creating the dissonance are relatively important the pressure to correct the imbalance will be high.

Once a potential problem surfaces an information search begins to determine what action is required to resolve the issue. If a problem exists, creative solutions are developed. Support for unlearning develops when existing systems are challenged. Unfreezing involves dismantling past learning.

The second stage of the change process consist of incorporating new behaviors into organizational processes. Behavior and ideas that are embedded in the corporate culture must be replaced. Redirecting people’s attention is an essential part of change. The development of skills to enable people to do things differently is required. Training must be provided to insure that employees understand their roles in making change happen. Processes and people must be aligned to support change. Skills and competencies to enable people to do things differently must be developed. Employees must understand the dynamics of the change process and also the functional requirements of the job.

New rules and policies that reinforce the desired ways of operating must be created and documented. Old customs and norms that reinforce the old ways of doing things must be replaced with norms that reinforce the new ways. For example, if the organization is developing teams and moving away from functional departments, then team work across departmental boundaries should be emphasized. Rewards should be specific to the change goals that have been set.

Refreezing is the final stage of the change process. It is comprised of reinforcing and measuring behavior change. After the training requirements are defined, the reward system, reporting relationships and other systems can be designed to reinforce the new behavior.

If the change process requires certain behaviors from employees, then performance appraisals, promotions and bonuses should be based on the desired performance outcomes. Creating objective measures for performance will demonstrate your commitment to the change initiative.

### **Emotional Phases of Change**

Organizational change has an element of loss inherent in the process, and it is a loss that is often deeply felt by employees. The Kubler - Ross Grief Model addresses the emotional issues associated with change. The four emotional states experienced throughout the change process may be expressed by employees in behaviors that are obstacles to the process of change. By understanding the emotions employees often encounter during change, you will be better prepared to facilitate the change process.

#### **Kubler - Ross Grief Model**

Stage 1	Denial
Stage 2	Resistance
Stage 3	Exploration
Stage 4	Commitment

The first emotional state experienced during change is denial. For example, employees encountering a change initiative might be saying to themselves, “I can’t believe this is happening to us.” Unresolved fears about the change initiative need to be addressed during

this phase. Fear and mistrust need to be replaced by acceptance. To be an effective change agent, you should encourage acceptance to change by initiating trust-building activities.

The second emotional state is resistance to the change process. It is common for employees to begin to resist the change initiative. During this phase, employees attempt to slow down or derail the change initiative. You must be able to spot resistance when it occurs and formulate sound strategies for overcoming it.

Resistance is a natural reaction to change, and it can take many forms. The easiest form of resistance to recognize is those who loudly indicate their dissatisfaction with the changes taking place in the organization. Soliciting feedback from these individuals lets you know where they stand, so that you can overcome their objectives.

Employees often resist change through denial. These individuals refuse to acknowledge that a problem exists. For example, competition might force a business to organize work around processes to improve operating efficiencies. Functional departments involved in these processes would be combined. Employees might not see a need for this change. The reasons for change must be fully explained so that employees understand why it is necessary to embrace the change.

Another common resistance is exhibited by individuals who willingly embrace the change, but when they realize that it takes additional time and effort, they begin to undermine the change process. It is best to slow down and allow people to absorb change gradually before forging ahead.

Sometimes employees use confusion to postpone change. After explaining the changes repeatedly, employees ask the same questions over and over again. They may truly be confused or they may be using confusion as a form of resistance to avoid accepting change.

The most dangerous form of resistance is referred to as malicious compliance. Employees enthusiastically support change, but covertly undermine the effort. For example, during presentations, the questions are polite and employees seem accepting. As you move forward they act as though they are implementing the new program. Months later you find out nothing has changed.

How we respond to resistance is very important. Forcing compliance may increase resistance. Those affected by the change probably know a lot about what is required to implement something new, and their input is important to the change process. The degree to which employees will support your new initiatives depends on how many of their recommendations are used. Compromise can accelerate the change process.

The third emotional state encountered is exploration. If employees are unable to stop the changes from occurring, they begin to explore their new roles. Both individual roles as

well as the overall role of the group are specifically defined in this stage. During the exploring stage, it is important that unresolved issues that continue to surface be addressed. Be alert for employees who remain angry about the change initiative. Those individuals should be counseled at the first sign of falling back to old behaviors. If trust has been created among the group, then peer influence can be used to encourage behavioral change.

The final emotional state is commitment to the change initiative. Mutual commitment is established for the change effort. Obstacles have been removed and the focus is on successful implementation of the changes.

### **Reasons for Failure**

Research indicates that two-thirds of all organizational changes fail. This represents a tremendous cost to companies in money, resources, and time. Several of the most common reasons for failed change programs include a lack of commitment from the top, change overload, lack of incentives tied to the change initiative and a lack of training.

Commitment from senior management is required if the change program is to succeed. People reveal their values through their actions, not their words. Employees infer what is important from management's behavior.

Trying to do too much at once is often an obstacle because trying to accomplish too many activities can create confusion. Helping the group to go on well-defined steps that carry them from one initiative to another will instill a sense of order and confidence in the process.

Often change programs are initiated without changing incentives to reinforce the desired new behavior. Change is expected, but the old behavior is still being rewarded. The organization must publicly recognize and reward employees who change by linking promotion and pay rewards to the desired behaviors. Rewards that reinforce old methods must be eliminated.

Another cause of failure is that too little attention is given to developing the skills people require to make a new technology work. The organization must develop experiential training that provides real time hands-on experience with new processes and procedures. The physical environment must also reinforce these changes.

### **Communicate the Facts**

Employees view the change process differently. They often view change as disruptive. A successful change program requires that employees understand why the need for change is necessary. Employees must buy into the change program. Employees' commitments must be linked to the company's change outcomes.

During transitions, employees speculate about how change will benefit or possibly harm them. People require more information during the change process. They want to know

how changes will affect them and how to prepare. By providing specific information to everyone at the same time, rumors can be minimized.

Communicate only the facts. Not communicating to employees when implementing change programs is the worst mistake a company can make. During times of uncertainty communication voids are filled with rumors. Communication lowers stress and anxiety. When restructuring jobs or refocusing the organization's direction, it is very important to clarify roles and how they support each other. Role clarification helps raise issues in a neutral manner and avoids confusion when change is in process.

Change must be continually managed to yield sustained results. Measurement provides a way to track progress. An effective measurement system would be specific, simple to understand, creative and involve both managers and employees. The results should be visually displayed so that employees can track their progress. A consistent process of measuring the results of the change initiative combined with a rewards program that reinforces the desired behavior is the backbone of an effective change program.

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