

## Successfully Managing Organizational Change

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### **Introduction**

Privatization, restructuring, re-engineering, ISO certification, and the introduction of IT, are all major organizational changes that have a 50-70% failure rate. Why such a large percentage? Because these major organizational changes were not **managed**. Many Thai private and public sector companies are preparing to undertake these kinds of major changes, and the successful outcome is imperative to Thailand's economic recovery. Here is the approach used by many Fortune 500 companies to successfully manage major organizational change.

### **Traditional Approach to Change**

The traditional approach to organizational change (Table 1) has been to introduce the change, and then wait for things to normalize. When such drastic change occurs in an organization, the impact inevitably results in a temporary decrease in morale and productivity. However, if this change is managed properly, and the change is successful, the resulting levels of morale and productivity should rise above the pre-change levels. Without managing the change, as Table 2 shows, morale and productivity do not return to normal, and the intended results of the change are never realized. The organization is left in disarray, and the change process is considered a failure. In some cases, the organization never recovers to pre-change levels.

### **Successful Approach to Change**

Businesses who successfully achieve organizational change and its benefits, carefully plan the change, manage the total change process, and then manage the new organization differently.

The findings of consulting research have produced 10 phases that organizations employ to successfully manage organizational change, and reap the benefits of improved operations and financial benefits. Table 3 shows these 10 phases

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as part of the three stages of organizational change: planning, implementing and managing.

### **Understanding the Psychological Dynamics of Organizational Change**

Most people do not like, and therefore resist, change. A management team which does not understand the need for privatization and is against the change, will probably not accept or support the process. A manager who has been doing his job the same way for 25 years will normally not be receptive to being told he must now use a computer to do his job differently. Sometimes incidents of sabotage result, including passive resistance that goes unnoticed or is ignored because of its silent nature, and is therefore underestimated in terms of its destructive strength.

When such resistance and resulting repercussions are not anticipated, and there is no contingency plan to address the problem, management is left without a strategy to decrease the negative impact and barriers preventing them from successfully attaining the required organizational change.

Managing organizational changes such as privatization, re-engineering, restructuring and introducing IT into the workplace, usually requires cross training, additional job responsibilities, new operational procedures, and different management roles and competencies. The lack of planning for and managing of these changes will result in considerable confusion and disruption.

Successfully introducing change involves several stages, such as understanding the need for change; accepting the reasons for change as valid; and supporting the change through active participation in the change process. The following strategy for successful organizational change requires the organization to pass through three stages of planning, implementation and managing, and successfully complete the required roles and activities in 10 developmental phases that gradually introduce, prepare for and manage the change.

### **PHASE ONE:**

#### **Understanding the Need for Change**

Why change? This is the first question most employees ask when they first learn that their organization is going to privatize, re-engineer or computerize.

The primary reason for any major organizational change should be for economic reasons. Usually, when a company becomes less profitable or less competitive, this triggers a need for change. Global competition, the need to improve standards and adopt benchmarks, environmental changes and economic circumstances, are all compelling reasons for a company to change.

Employees need to know exactly **why** the changes are necessary, and **how** these changes are going to affect them and their jobs. They need to understand the

organizational change process. Management must make an extra effort to ensure this understanding is specific and clear. If I don't understand why a major change in my company is happening, I can't be expected to accept, support and participate in the change.

## **PHASE TWO:**

### **Accept the Need for Change**

**Understanding** and **accepting** change are two different accomplishments. I can understand that computers can make work faster and more efficient, but I may not be willing to start using (**accept**) one in my job.

In this phase, for example, the company needs to convince employees that their acceptance of this change will, in the end, improve their employment security. If the company is operating profitably, there is no need to reduce the workforce. However, the change may mean employees have to learn new skills and perhaps take on different or added job responsibilities. But if these changes mean I will still have a job, and the company will improve and profit, then I should be accepting of these changes.

## **PHASE THREE:**

### **Understanding the Existing Organizational Culture**

Is the organization ready to change? Surprisingly, most companies don't even ask this question. They just plow ahead with the changes, without considering whether people understand (Phase 1) the reason for the change or accept that the change is necessary (Phase 2).

Assessing the organization's readiness for change is the most important of the 7 phases in the Planning Stage (cf. Table 3). If the organization is not ready, don't change! The 50-70% failure rate of efforts at organizational change can be attributed to attempting a major change when the culture was not ready and could not support the change.

Assessment techniques such as surveys, interviews and discussion groups should be used to determine the "pulse" of the organization.

In any change effort, there are forces that will help or facilitate the change. But a more important consideration has to be of the forces that are **against** the change, and correctly assess how much of a threat (resistance, strength) they pose to accomplishing the change.

As Table 4 shows, if these negative forces are not recognized, their strength correctly analyzed, and a strategy developed to decrease their negative influence, the required change will not succeed.

A major international oil company in Thailand hired a top international consulting firm to help them re-engineer. Part of the restructuring process

involved breaking up the Engineering Department and placing engineers in each of the newly-created business units. Six months after this restructuring, the engineers were all back in the Engineering Department.

First, they did not understand the need for the change (Phase 1) and disagreed with the consultants' reasons for the change. So, they never accepted the change (Phase 2). Collectively, they were determined not to support this new reorganization.

The re-engineering consultants did not assess the readiness level of the staff for this change, or anticipate how strongly these engineers would reject their relocation (forces against), and so the change failed. It's inconceivable how one of the top five consulting firms in the world, specializing in "change management" could fail to adequately assess the readiness level for or resistance to, organizational change. Yet, they still took their US\$ 2 million fee, and six months later, when it became obvious the re-engineering didn't work, they simply blamed it on the organization for not following their guidelines for implementation.

#### **PHASE FOUR:**

##### **Stating the Corporate Vision**

How will the organization look and operate once the change has been successfully completed? Top management must continuously communicate this model to the organization. If you expect people to understand, accept, support and participate in a major change that affects them, they need to have a "picture" of the final product they are striving to accomplish. And of course, the "new organization" has to be appealing enough to make the hard work worthwhile.

Organizational change is usually initiated to increase a company's earnings and improve its competitive edge. If we look at Fortune 500 companies who successfully completed an organizational change, their "new" organization usually resulted in an environment with no more crisis management, a stable work force, longer mean time between failures, greater equipment reliability, lower inventories and a cleaner and more organized work environment.

New behaviors will be required in the new organization. There will be better detection and reporting of activities which increase operating costs. Loss control incidents will be eliminated. Work processes will be reorganized.

#### **PHASE FIVE:**

##### **Explain the Strategy**

This phase requires management to give the workforce an understanding of the strategy and step-by-step process required to successfully manage the organizational change. Once the workforce understands, accepts, supports and is willing to participate in the change, they need to know "how" it's going to happen.

A clear strategy and time frame should be established, so there is no confusion or misunderstanding as to exactly **what** is to happen **when**. By the time the program is ready to be launched (Phase Eight), everyone in the organization should be prepared and ready to participate in a clearly established program.

#### **PHASE SIX:**

##### **Define the Programs for Change**

What new work processes and behaviors are required in the new organization? Management and the workforce needs to know they will be doing their jobs differently, and what kinds of different behaviors (and even the way they **think** about their job) are required.

When an air conditioning manufacturing company received ISO certification for good environmental practices, they had to abandon their previous methods of waste disposal which were polluting and damaging. The employee who used to simply dispose of their used compressors as they were, now had to empty the gasses from those compressors, and disassemble and save certain parts for recycling. This is a new behavior requiring added job responsibilities.

In this phase, new (different) goals have to be set, initial success targets for change have to be set, and those targets have to be converted into specific actions. Then, in Phase 9, these activities will be monitored and the results evaluated.

#### **PHASE SEVEN:**

##### **Clearly Define Management Roles**

As Albert Einstein once remarked, new problems cannot be solved with old solutions. In the same way, an organization that has undergone a major change cannot be managed in the same way as the old organization. Managers will be required to learn new skills and undertake new responsibilities.

Whereas the traditional management role involved the traditional management tasks of planning, organizing, directing and controlling, managers now find their role to include building and leading work teams and serving as a support and resource person. In the new organization, management has to help employees successfully go through the early stages of change involving understanding, accepting, supporting and finally participating in the change.

Managers need to exhibit conviction to support the re-direction, communicate the intended change, define the change program and explain the strategy. New roles require leadership, persistence in monitoring and reviewing the change process, ensuring upward and downward communication, and displaying a commitment to specific actions and changes on the job. Accountability must be established for accomplishing these tasks and successfully adopting these new roles.

**PHASE EIGHT:****Launch the Program**

The successful accomplishment of the tasks of the first seven phases in the Planning stage should afford a smooth implementation of the program. Even though the change process should be gradual, a date and a formal activity should officially begin the program. At this event, the CEO should reiterate the reasons for the change, the benefits that will result from the change, and again present a clear "vision" (Phase 4) of how the organization will be once the changes have taken place. The CEO should use this opportunity to empower the work force to adopt his vision, and encourage them to collectively work toward realizing the final goal.

**PHASE NINE:****Monitor Progress**

The specific targets, goals, new roles and job responsibilities (established in Phase 6) now have to be monitored and measured and the results evaluated. Feedback mechanisms need to be established. Successful accomplishments must be recognized and celebrated--made visible for the organization to see some tangible results of their efforts. It is common that rewards considered meaningful (valent) to employees be given for accomplishments.

**PHASE TEN:****Support Mechanisms**

One of the most effective and necessary support mechanisms to foster the change process, is the establishment of Change Management Teams, both for management and the remainder of the workforce.

The management teams are responsible for communicating the intended change, helping employees understand, accept, support and participate in the change process, set goals, review action and initiate upward/downward communication.

The employee teams are responsible for identifying change-related problems as they begin the implementation; and work with management to find solutions to these problems. Ideally, these employee teams should evolve into semi-autonomous work groups (socio-technical) working on an on-going basis, constantly monitoring progress, designing their own work processes and setting their own goals.

A final crucial support mechanism to facilitate organizational change is training. Change management workshops and seminars should be held at all levels of the organization, before, during and following the change process. Another successful support mechanism used by Fortune 500 companies, is the design and implementation of multi-media (New Media) interactive change

management software placed on the organization's intranet. All employees are required to complete a 30 hour program that takes them through the 10 phases of the change process. Research has shown this technology significantly increases the degree of understanding, acceptance and participation in the change process.

### **Summary**

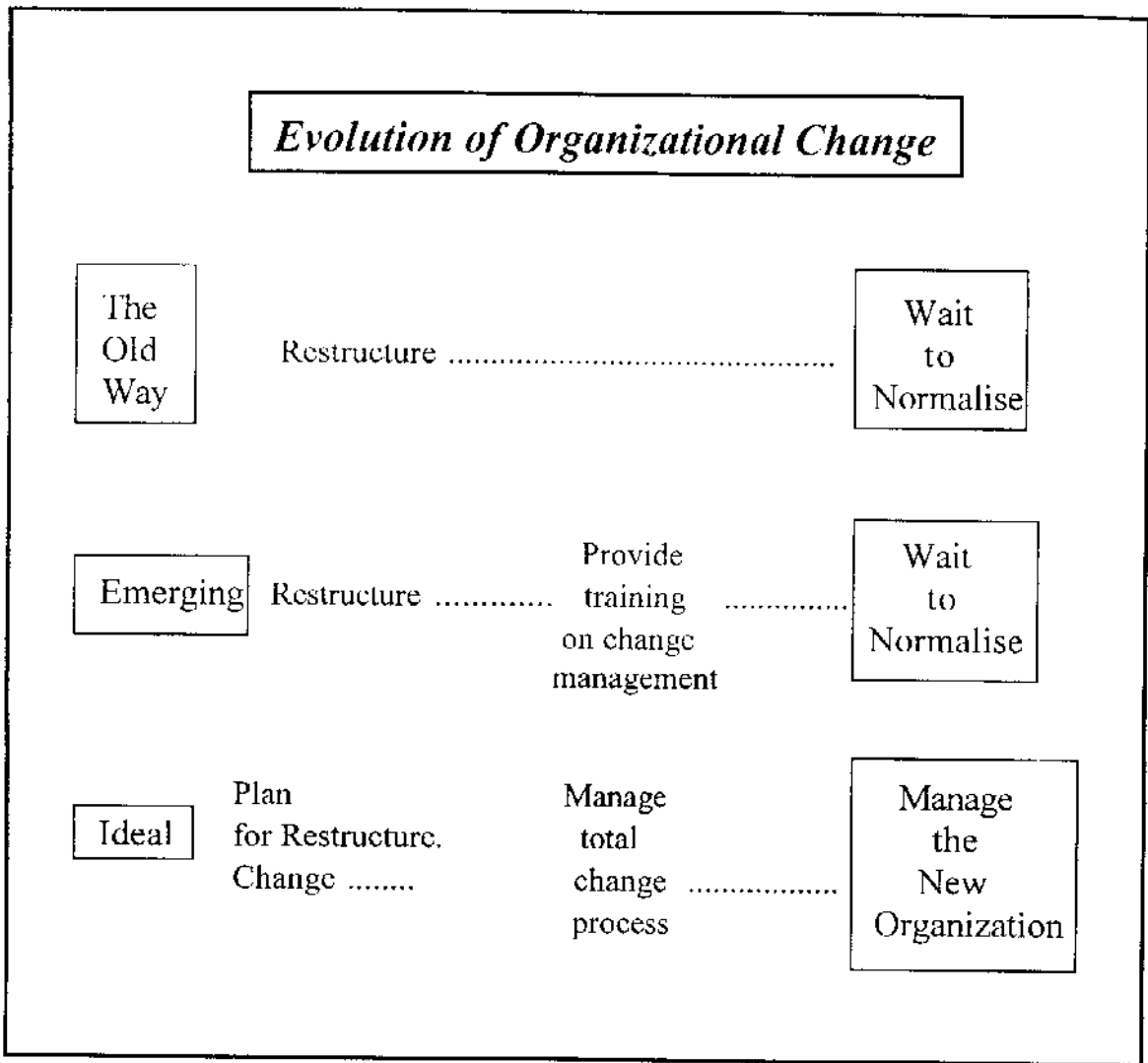
Successful organizational change can determine the survival of a business. Undertaking a major change such as privatization, re-engineering, restructuring, ISO certification, or the introduction of IT, all require major organizational change. Failure to plan, correctly implement and manage significant change usually results in an organization that is unable to grow and stay ahead of the competition. Organizations that carefully follow the change strategy of planning, implementing and managing the change presented in this article, can be sure they will successfully undertake the change process.

## **Failures of Organisational Change**

*According to most re-engineering experts, including the now famous Michael Hammer, organisational change projects fail 52-70% of the time*

*"...extensive studies show that the number of companies failing to benefit is as high as 70%"*

*Dr. William C. Byham, author of Zapp, the Lightning of Empowerment*



**Table 1**



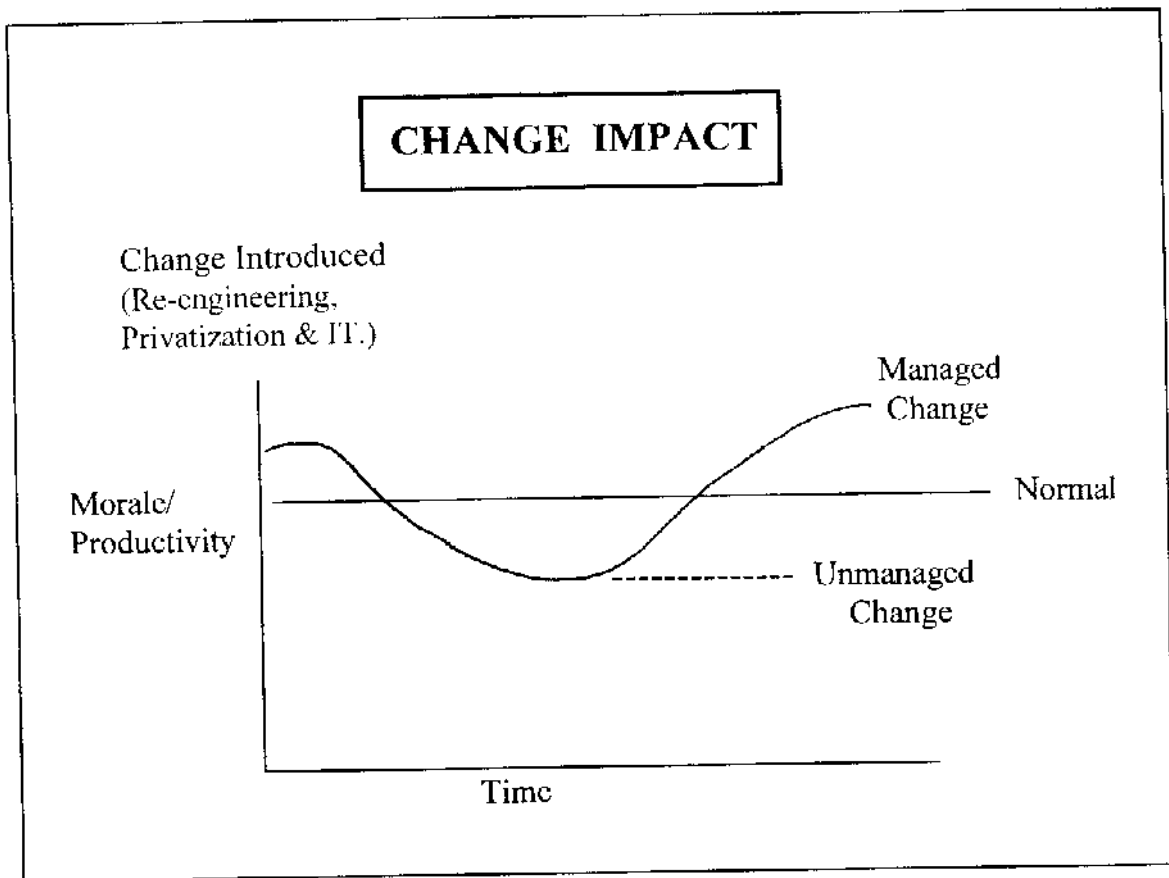
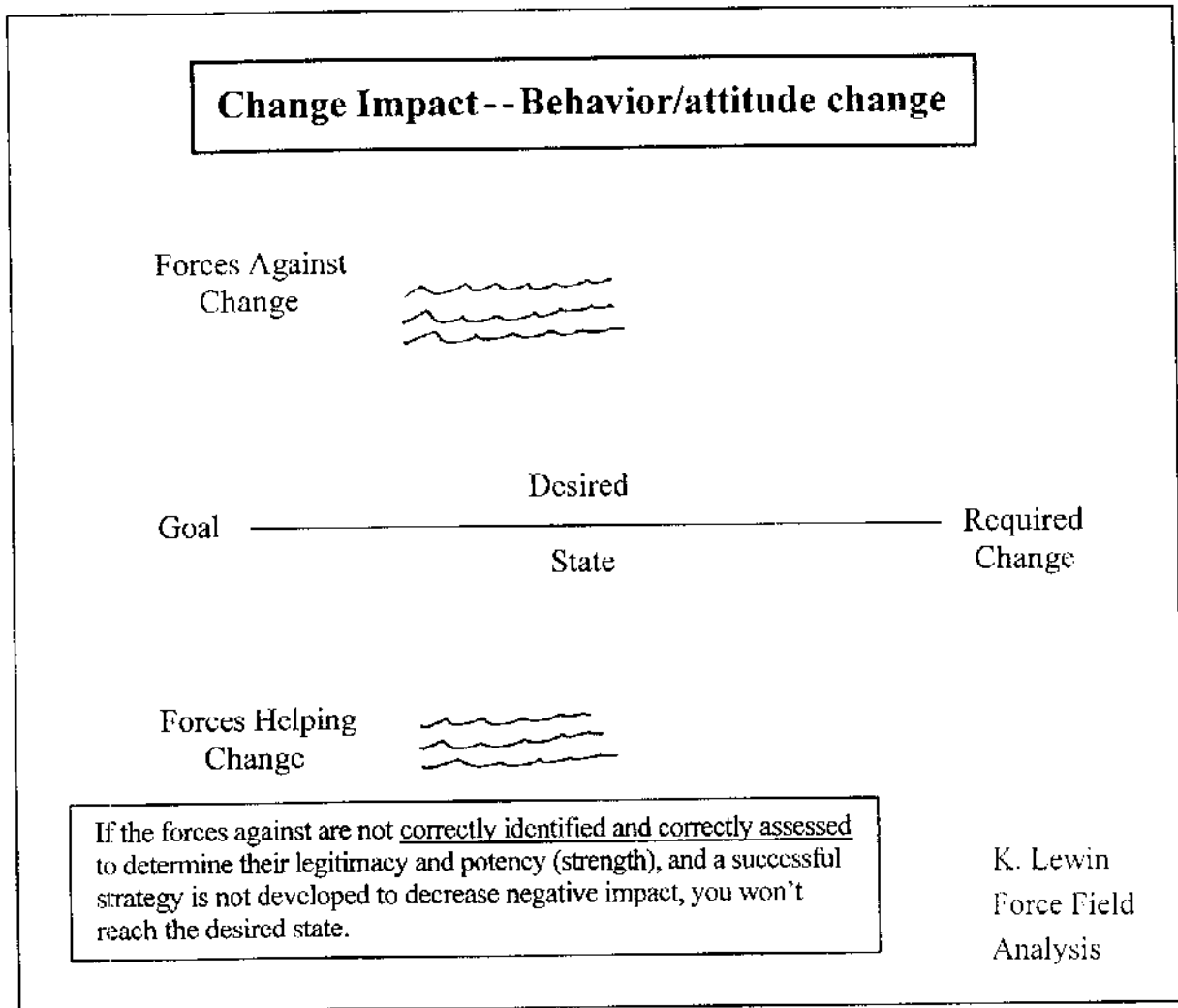
**Table 2**

Table 2

## STAGES of ORGANIZATIONAL CHANGE

Phase	Planning	Implementing	Managing
1	<b>Understanding the Need</b>		
2	<b>Accepting the Need</b>		
3	<b>Understanding the Culture</b>		
4	<b>Stating the Corporate Vision</b>	<i>New behaviors</i>	
5	<b>Explaining the Strategy</b>		
6	<b>Defining Program for Change</b>	<i>Set goals, targets</i>	
7	<b>Defining Management Roles</b>	<i>Support employee understanding and acceptance</i>	<i>Steering Committees monitor, review, communicate</i>
8		<b>Launch Program</b>	
9			<b>Monitor Progress</b>
10		<i>Change Management Teams Training</i>	<b>Support Mechanisms</b>

Table 3



**Table 4**