ENTERPRISE BUSINESS MODELS

CHAP. 8. Managing Change

1. Innovation and Change

2. Why Change? What is Change Management?

3. Factors in Change – CAP Model

4. Creating the Need for Change

5. Implementing Change

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1. Innovation & Change in Business

An organization needs to constantly innovate to succeed. Innovation is about making things better, faster, or cheaper than your competition. It drives ongoing improvements and may help unleash a new idea that changes the rules.

Rewarding Innovation and Change

A company needs to provide staff with an incentive to innovate. With no reward, there is no good reason for employees to suggest or try new ideas.
The first step in creating an innovative organization is to include change in an employee's goals, performance management process, and compensation plan. This needs to be implemented throughout the organization. Even mail-room staff and couriers can offer a perspective and make suggestions that a vice president would easily miss.

Stimulating Innovation

- Creativity
    – The ability to combine ideas in a unique way or to make unusual connections
- Innovation
    – The process of taking a creative idea and turning it into a useful product, service, or method of operation
        - Perception
        - Incubation
        - Inspiration
        - Innovation

Structural Variables Affecting Innovation

- Organic structures
  - Positively influence innovation through less work specialization, fewer rules and decentralization
- Easy availability of plentiful resources
  - Allow management to purchase innovations, bear the cost of instituting innovations, and absorb failures
- Frequent inter-unit communication
  - Helps to break down barriers to innovation by facilitating interaction across departmental lines
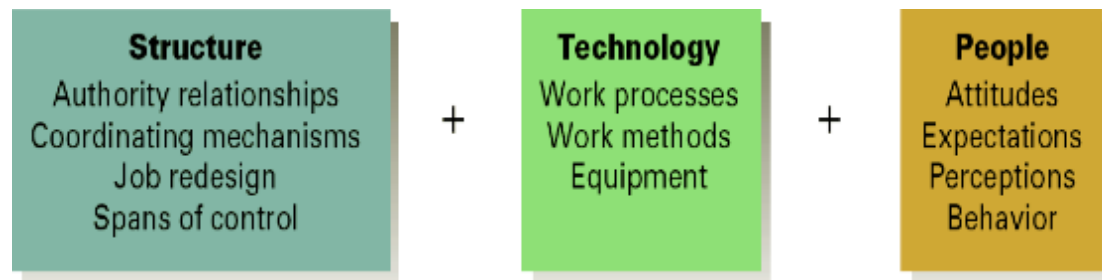
2. What is an organizational change?

- An alteration of an organization's environment, structure, culture, technology, or people
  - A constant force
  - An organizational reality
  - An opportunity or a threat
- Change agent
  - A person who initiates and assumes the responsibility for managing a change in an organization
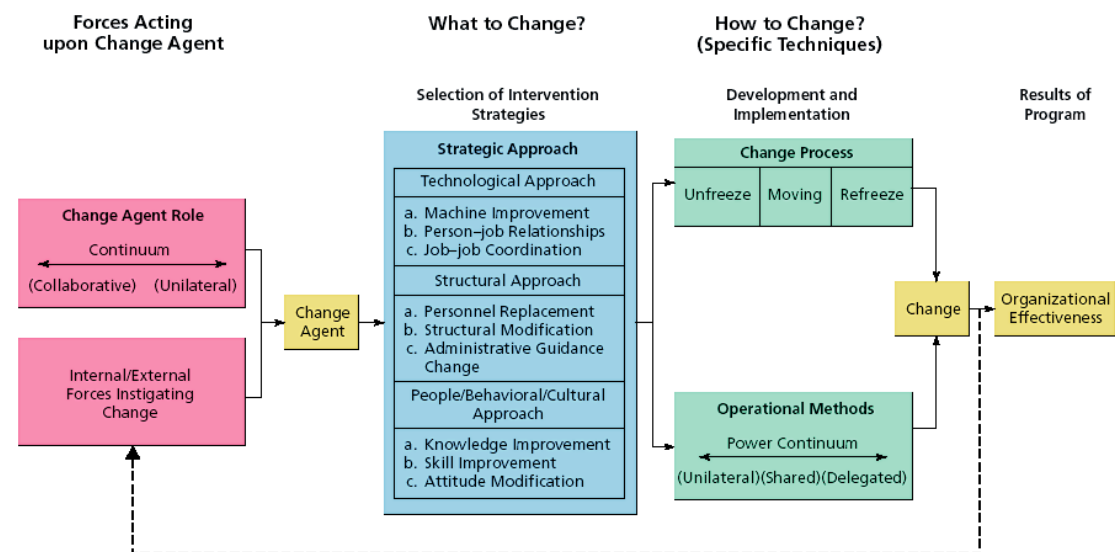
Forces for Change

EXTERNAL FORCES	INTERNAL FORCES
Competition Laws and regulations	Strategy modifications
New technologies	New equipment
Labor market shifts	New processes
Business cycles	Workforce composition
Social change	Job restructuring
	Compensation and benefits
	Labor surpluses and shortages
	Employee attitude

Three Categories of Change

Organisational Culture

Structure
Authority relationships
Coordinating mechanisms
Job redesign
Spans of control

+

Technology
Work processes
Work methods
Equipment

+

People
Attitudes
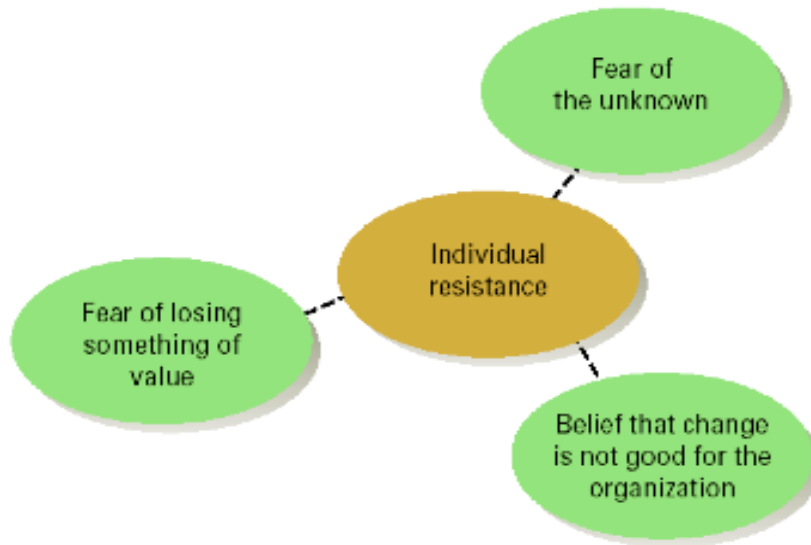Expectations
Perceptions
Behavior

Model for Planned Organizational Change

A Nine-step Process For Leading Organizational Change

1. Create a Sense of Urgency
2. Decide What to Change
3. Create a Guiding Coalition and Mobilize Commitment
4. Develop and Communicate a Shared Vision
5. Empower Employees to Make the Change
6. Generate Short-Term Wins
7. Consolidate Gains and Produce More Change
8. Anchor the New Ways of Doing Things in the Company Culture
9. Monitor Progress and Adjust the Vision as Required

Why People Resist Change

Dealing with Change

TABLE 8–1	Six Methods for Dealing with Resistance to Change		
Method	Commonly Used in Situations	Advantages	Drawbacks
Education + communication	Where there is a lack of information or inaccurate information and analysis.	Once persuaded, people will often help with the implementation of the change.	Can be very time-consuming if lots of people are involved.
Participation + involvement	Where the initiators do not have all the information they need to design the change, and where others have considerable power to resist.	People who participate will be committed to implementing change, and any relevant information they have will be integrated into the change plan.	Can be very time-consuming if participators design an inappropriate change.
Facilitation + support	Where people are resisting because of fear and anxiety.	No other approach works as well with employee adjustment problems.	Can be time=consuming and expensive, yet still fail.
Negotiation + agreement	Where someone or some group will clearly lose out in a change, and where that group has considerable power to resist.	Sometimes, it is a relatively easy way to avoid major resistance.	Can be too expensive in many cases if it prompts others to negotiate.
Manipulation + co-optation	Where other tactics will not work or are too expensive.	It can be relatively quick and inexpensive solution to resistance problems.	Can lead to future problems if people feel manipulated. feel manipulated.
Coercion	Where speed is essential, and the change initiators possess considerable power. considerable power.	It is speedy and can overcome any kind of resistance.	Can be risky if it leaves people angry at the initiators.

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3. Factors in change: CAP Model

CHANGE ACCELERATION PROCESS (CAP)

Change Acceleration Process (CAP) is the process of moving the Current State of the Process/Service/Product to an Improved State by catalyzing (speeding up) the Transition State.

Six Sigma Change Acceleration Process (CAP)
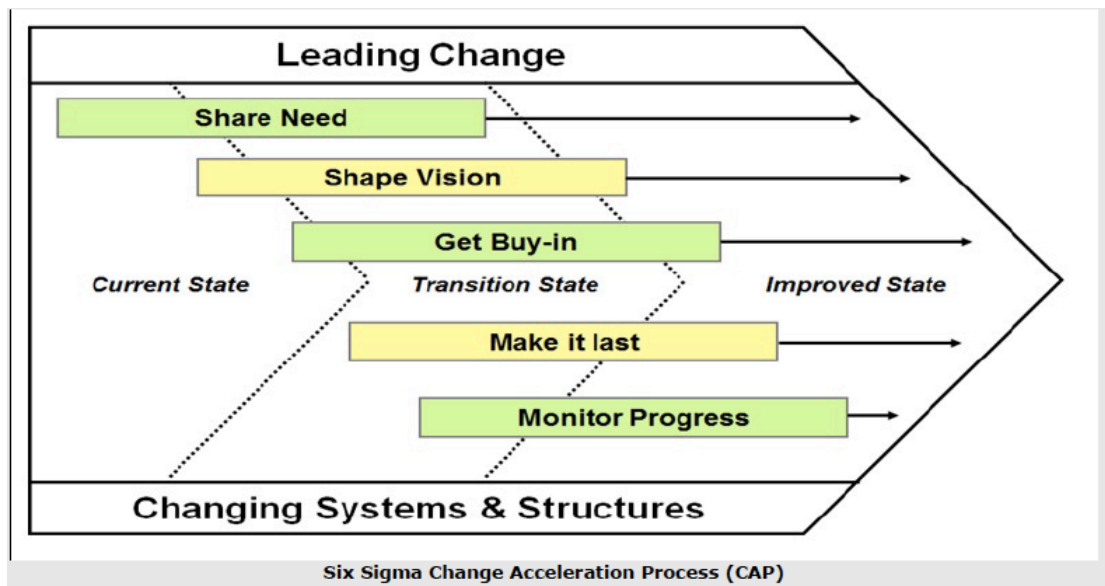
CAP depends on Leading Change, Creating a Shared Need, Shaping a Vision, Mobilizing Commitment (Getting buy in from Stakeholders), Making the Change Last and Monitoring Progress. All implementation projects require a Champion who sponsors the change if they are to be successful (Leading Change). The reason to change, whether driven by threat or opportunity, is instilled within the organization and widely shared through data, demonstration, demand, or diagnosis. The need for change must exceed the resistance to change (Creating a Shared Need).

The desired outcome of change is clear, legitimate, widely understood, and shared (Shaping a Vision). There is a strong commitment from key constituents to invest in the change, make it work, and demand and receive management attention (Mobilizing Commitment). Once change is started, it endures and flourishes and learnings are transferred throughout the organization (Making the Change Last). Progress is real; benchmarks are set and realized; indicators are established to guarantee accountability (Monitoring Progress). Management practices are used to complement and reinforce change (Changing Systems and Structures).

4. Creating the Need for Change

Change = Motivation X Vision X Next Steps

- Motivation – Some Good Reason to Give up the Status Quo
- Vision – A Clear and Practical Vision of the Desired Future State
- Next Steps – an Understanding of the Next Steps Required to Progress Toward the Vision
- If One Is Missing, Little Change Will Take Place

1: Develop a Compelling Vision
- How Things Will Be Better With the Change
- More Than Sloganeering

- Leaders and Change Agents Need Their Own Individual Visions and Need to Know How That Fits Into the Organization's Vision
- People Need to See How They Fit Into That Vision

2: Change Is a Journey, Not a Blueprint
- Develop Detailed, Multi-dimensional Plans
  - Change Description
  - Business Objectives
  - Human Objectives
  - Key Role Map
  - Vision
  - Detailed Activities, Resources, Timelines
  - Measurements
- Recognize That This Is a Journey
  - Will Need to Adapt Plan As Needs Change

Warning: Need to Balance "Preparing For" and "Implementing"
- There Is a Need to Develop a Comprehensive Plan for the Change
- There Is a Need to Get the Organization Ready for the Change
- But If It Takes Too Long, People Lose Interest and Motivation
- So, Plan for Short Projects That Will Engage the People

3: Understand and Own the Past
- The Past Bounds Future Success
- Identify Critical Success Factors From Previous Successful Changes in the Organization
  - Surveys
  - Interviews
  - Lessons Learned Sessions
- Acknowledge Past Failures
  - Explicitly Plan on Countermeasures

4: Build a Strong, Committed Management Coalition
- At All Levels Within the Organization
- Teach Them Their Job
  - Establish a Clear Vision
  - Articulate That Vision
  - Communicate With the Affected Groups
  - Focus Energies on Their Direct Reports
  - Monitor Progress
  - Eliminate Obstacles
  - Recognize and Reward Short-term Wins
  - Stick With It for the Long Haul

5: Identify All the People Who Are Affected or Who Need to Be Involved
- Create a Key Role Map of the Formal Organization
  - Sponsors (at All Levels)
  - Change Agents
  - Targets
- Augment With Identification of Informal Organization Key People (Understand Why They Have This Influence)
  - Opinion Shapers
  - Gate Keepers
  - Idea Champions
- Develop an Understanding of Their

    – Level of Influence
    – Level of Commitment to the Change

6: Analyze Their Readiness for Change
- Assess the Organization on Their Readiness for This Particular Change
  - Surveys
  - One-on-One Discussions
- Understand Where People Are
  - Early Adopters
  - Late Adopters
  - Laggards
- Are There Outside Organizations That Are Influencers?
- Understand Their Frames of Reference and Develop Communication Strategies

7: Start Where People Are Most Receptive
- Avoid the Dedicated Resistors, Focus on Early Adopters (About 20% of the Population)
- Helps to Get Some Early Wins

9: People Don't Resist Their Own Ideas
- Get People Involved Early in the Planning
- Even If They Can't Plan "What", They Can Plan "How"
- They Are Changed by the Act of Participating in Planning the Change
- Surfaces Resistance Early and Can   Potentially Manage It

10: Manage the Driving Forces As Well As the Restraining Forces

What Forces Affect Your Change Project?

Driving forces – Dealing only with this side will immediately generate counterforces	Restraining forces - personal psychological defenses or group norms embedded in the organizational or community culture.
Changes at the Top	Career-based organization
Powerful external influences	Low turnover
Powerful leader	Success
Acceptance of need to change	Stable environment
Externally focused	Criteria of success not visible
Crisis of opportunity	Lack of clear authority

11: Establish a Darn Good Reason to Change
- Substitute One Fear for Another
  - Make the Anxiety Associated With Not Changing Greater Than the Anxiety of Changing
  - Intentionally Create Disorder

– Remove the Mechanisms That Allow People to Stay the Same

12: Say It Once, Say It Twice, and Say It Again
- Keep It Simple – No Jargon
- Use Language of the People
- Use Storytelling
- Use Different Mediums
    - Memos
    - Group Meetings
    - Stories in Newsletters
    - One-on-one Meetings
    - (Have Different Levels of Impact)
- Change Style of Communication Depending Upon
    - Where You Are in the Change
    - Who You Are Communicating With
- Walk the Talk, Be Honest

13: But Monitor the Communications Eclipse

Memo From Director General to Manager:
Today at 11 O'clock There Will Be a Total Eclipse of the Sun. This Is When the Sun Disappears Behind the Moon for Two Minutes. As This Is Something That Cannot Be Seen Every Day, Time Will Be Allowed for Employees to View the Eclipse in the Car Park. People Should Meet in the Car Parking Area at Ten to Eleven, When I Will Deliver a Short Speech Introducing the Eclipse, and Giving Some Background Information. Safety Goggles Will Be Made Available at a Small Cost.

Memo From Manager to Department Head:
Today at Ten to Eleven, All Staff Should Meet in the Car Parking Area. This Will Be Followed by a Total Eclipse of the Sun, Which Will Disappear for Two Minutes. For a Moderate Cost, This Will Be Made Safe With Goggles. The Director General Will Deliver a Short Speech Beforehand to Give Us All Some Background Information. This Is Not Something That Can Be Seen Every Day.

Memo From Department Head to Floor Manager:
The Director General Will Today Deliver a Short Speech to Make the Sun Disappear for Two Minutes in an Eclipse. This Is Something That Can Not Be Seen Every Day, So People Will Meet in the Car Parking Area at Ten or Eleven. This Will Be Safe, If You Pay a Moderate Cost.

Memo From Floor Manager to Supervisor:
Ten or Eleven Staff Are to Go to the Car Parking Area, Where the Director General Will Eclipse the Sun for Two Minutes. This Doesn't Happen Every Day. It Will Be Safe, but It Will Cost You.

Memo From Supervisor to Workers:
Some Workers Will Go to the Car Parking Area Today to See the Director General Disappear. It Is a Pity This Doesn't Happen Every Day!

14: Encourage the Heart
- In Terms That Have Meaning to Individuals and Teams
    - Ask Them What a Reward Would Look Like to Them
- Highly Visible
- Reward Throughout the Change, Not Just at the End

15: Show Results – Early and Often
- Plan for Goals (Long and Near Term) That Are Measurable, Tangible and Clear
    - Explicitly Tied to Vision
- Not a Count of Activities
    - # Of People Trained
    - # Of Procedures Written
- Performance Results That Matter to Customers, Employees or Shareholders
    - Reduction in Delivered Defects
    - Reduction in Cycle Time
    - Reduced Escaped Defects Resulting in Reduced Rework

16: Prepare for "Implementation Dip"
- Things Often Get Worse Before They Get Better
- Increase the Communication
    - Change the Medium and Words
    - Focus on What Is Ahead
    - Provide As Much Information As Possible
- Allow Resistance to Surface and Manage It

17: Validate the Feelings of People
- Resistance Can Be at Systemic or Behavioral Level
    - Systemic – Lack of Appropriate Knowledge, Information, Skills and Managerial Capacity (Cognitive)
    - Behavioral – Reactions, Perceptions and Assumptions (Emotional)
- Acknowledge the Pain of Changing

18: Deal With the Four "F's of Loss and Change"
- Letting Go of Familiar Past (Perhaps a Romanticized View)
- Confronting Feelings About an Uncertain Future
- Dealing With Loss of Face
- Redesigning a Focus on New Realities
- Working on These in Public, Facilitated Forums Allows People to Constructively Express Their Anxiety and Anger and Helps to Reduce Passive-Aggressive Inertia and Sabotage

19: Don't Resist Resistance
- Resistance Is
    - Inevitable
    - A Natural Function of Change
    - Manageable
- Resistance Is Not
    - Necessarily Logical
    - A Sign of Disloyalty
    - To Be Taken Personally
    - A Sign That the Change Project Is Out of Control

20: Facilitate, Rather Than Just Train
- Train Managers As Facilitators for the Change
    - Helps Them to Demonstrate Active Commitment to the Change
    - Can Immediately Reinforce the Training on the Job
- Trainers Are Generally Not Held Accountable for Achieving Results

- Development and Delivery Are Much Less Important Than Group Dynamics and the Perception That Leadership Is Interested

21: Use a Variety of Mediums to Build Competency in the Change
- Study Groups
- "On-the-Dash" Coaching
- Web-based
- Classroom Training

22: Recognize Every Person Is a Change Agent
- Educate Leaders of the Change As Well As the Targets of Their Roles in the Change
  - To Be Open to Change
  - To Anticipate Change, Not Just React to It
  - To Accept That Change Causes Stress and to Developing Coping Mechanisms

23: Change Agents Must Be Able to Work With Polar Opposites
- Simultaneously Pushing for Change While Allowing Self-learning to Unfold
- Being Prepared for a Journey of Uncertainty
- Seeing Problems As Sources of Creative Resolution
- Having a Vision, but Not Being Blinded by It
- Valuing the Individual and the Group
- Incorporating Centralizing and Decentralizing Forces
- Being Internally Cohesive, but Externally Oriented
- Valuing Personal Change Agency As the Route to System Change

What to Watch Out for
- Virtual Change Management…"Sure We Can Do That for You… What Exactly Did You Have in Mind?"
- Change Management Lite…Good Communication and Training to the Masses. You Can Sort Out These Pesky Role Changes Later on While You're Trying to Get Your Work Processes Adjusted
- Changemanagement.Com…Web Enabled Change Management Through Your Company's Own Special Portal. "What We'll Put on That Web Site Will Have So Much Sizzle That Your Guys Are Really Gonna' Go for the Change."

Final Thoughts
"The Ultimate Measure of a Man Is Not Where He Stands in Moments of Comfort, but Where He Stands at Times of Challenge and Controversy" – *Martin Luther King, Jr.*
"Somebody Has to Do Something, and It's Just Incredibly Pathetic That It Has to Be Us." – *Jerry Garcia, the Grateful Dead*

5. Implementing Change

Three (3) Ways to Implement Change

a. Get Executive Management on Message

Management communications should be short, clear and consistent when explaining the reason for the change. Slick, multi-page program overview documents are not nearly as compelling as a direct statement, delivered with conviction. And there can't be any light showing among the management team on this change: You need a united front to get employee buy-in.

b. Position the Change

If you want acceptance of a new idea, position it in such a way that busy people with competing priorities can process quickly. Here are three possible positions:

Force the change by eliminating the old system. This can be aggressive, but allowing parallel systems for a long transition doesn't ease the pain; it just delays it.

Create context choices that favor the change. People need a framework to evaluate against. A great example comes from Williams-Sonoma, which developed a bread machine with a roughly $200 price point--the first of its kind. It didn't sell too well, however, until they put out a roughly $300 bread machine. Then the $200 versions flew off the shelves, because people had something to compare it to--they needed a frame of reference to determine if it was a good value.

Frame consequences in a negative context

Show the alternative to change as being even scarier. We know that people need to understand the upside to be interested, but the downside in order to change.

c. Make It Safe & Celebrate Success

There is a risk to making change with a certain draconian feel. You don't want to rob people of a positive experience; you just want to ensure you get results. You create the positive experience when people feel that the implementation is controlled, the process was similar to other implementations, and that success gets celebrated at the key milestones, as well as in the end result. This is where project leadership and communication have the greatest impact.

Take a minute and think of the last year in your company. Consider technology, markets, pricing, people, organization charts, operating parameters and so on: How many changes did you make? If you are like the vast majority of companies in the U.S., you have a long list. People are change-weary, yet these changes are often in response to a world that is changing even faster. If you want to continue to be ahead of the curve in your marketplace, becoming more effective and accelerating change will offer you a competitive advantage.

End of Chapter 8