Change Management

Critical Success Factors for Change

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To make change successful, some picture of the desired future state—a **vision**—is essential.

Visions, of course, are about change, about achieving or becoming something better. But the dynamic nature of most of the changes in business in recent years means that, more than anything, visions need to be adaptable, and **adaptation** itself may be even more important than vision.

In fact, if there is one aspect of change that seems to be changing the most, it is the necessity for leaders not only to plan and motivate, but to constantly seek new knowledge about forces beyond their control that will require them to adjust their plans, and to find new ways of influencing others to adapt accordingly, often in mid-execution.

Still, “visions,” “visionaries,” and “envisioning” are concepts everyone agrees are essential to change; indeed, common sense tells us that a change must be “seen,” its direction in some way charted, before anything happens. Someone, or a group of people, must be authorized—explicitly or implicitly—to come up with that vision. In the words of Dennis Hightower, “If you don’t know where you’re going, any road will take you there”.

At the same time, vision is a vexing idea, frustratingly difficult to pin down. Noted one CEO in a study that remains the basis for much important work on goal-setting, “I’ve come to believe that we need a vision to guide us, but I can’t seem to get my hands on what ‘vision’ is”.

Definitions of vision within the business environment are elusive. Collins and Porras investigated “visionary” organizations and concluded that “vision is an overarching concept under which a variety of concepts are subsumed.” They divided vision into two components, <u>guiding philosophy</u> and <u>tangible image</u>: “Guiding philosophy is deep and serene; tangible image is bold, exciting, and emotionally charged”.

No matter how compelling the vision and how dynamic the leader-ship style of the visionary, the true test of an organization’s ability to change lies in its **ability to adapt to market forces**, to be flexible and innovative in the face of a turbulent environment.

Scholars have been paying attention to the dynamics of large-scale organizational change. How do organizations change? More specifically, how can our understanding of organizational change inform the actions of managers who want to transform their own organizations?

A key question for scholars concerns the initial stage of the change effort; that is, how do managers **create a state of organizational readiness for change**?

Organizations are bureaucracies, and as such they tend almost naturally to resist change. Organizational members become committed to a course of action and then escalate that commitment out of a sense of self-justification. In order to overcome such resistance to change, extraordinary pressures must be brought to bear on organizations and individuals.

Organizational leaders do not change organizations. What they do is to oversee and orchestrate a process in which line managers up and down the organization attempt to change their own operating units.

While leaders may be convinced of the need for change based on their own dissatisfaction with the status quo, that dissatisfaction is not enough. They must find ways of sharing it with the members of the organization who will actually institute new ways of thinking and acting.

However, when leaders jump directly from being dissatisfied to imposing new operating models, they fail to generate any real commitment to change. Employees greet new organizational and behavioral models with resistance or, at best, half-hearted compliance. Change programs get bogged down, and leaders become frustrated by employees’ failure to perceive the seemingly obvious need for change.

In the successful change efforts that have been observed, the top leader's desire for change was inevitably followed by **interventions that diffused his or her dissatisfaction**.

STRATEGIES FOR DIFFUSING DISSATISFACTION

1- SHARING COMPETITIVE INFORMATION

The most common method for diffusing dissatisfaction was the dissemination of information. Usually the information consisted of details about the company or unit's competitive position. For the most part, this information had previously been available only to top management.

Information sharing of this kind is a symbolic way of equalizing power, over- coming conflict, and building trust.8 It also spreads dissatisfaction.

2- CREATING BEHAVIORAL DISSATISFACTION

Sharing competitive information is in- tended to unfreeze attitudes and shake up the status quo. But organizational change has a micro as well as a macro perspective; it also focuses on individual managers' on-the-job behaviors and styles.

Half the companies in a major research study used specific strategies to change individual behavior; interventions were designed to create dissatisfaction with the way managers were currently behaving.

3- USING MODELS TO PRODUCE DISSATISFACTION

Scholars and managers alike stress that successful models encourage change to occur. They provide a vision of the future, and they can also help spread dissatisfaction with the status quo.

These ‘models’ can be competitors or even better a subunit of the same company.

4- MANDATING DISSATISFACTION

- My way or the highway approach.
- “Things are going to change around here. This is a way of life. And if things don’t change, I won’t be the first to go.”
- “you must change according to my diagnosis of what needs to be done or leave the organization.”

Managing to Communicate, Communicating to Manage

Faced with recession, increased global competition, and restructurings, businesses are making major organizational changes to shore up productivity in every aspect of their enterprises. These practices may be beneficial for the companies, but they also can be wrenching for the companies' people. For instance, re- organizations, "rightsizings," and layoffs, common to these times, virtually ensure drops in morale and productivity.

How do the best companies reconcile a compelling need for organizational change with an equally compelling need, on the part of employees, for security?

Our quest to answer this question led to an in-depth study of 10 leading companies. These firms, the study showed, go further than raising their employees' sense of security. They also preserve or improve productivity. And they do it with a familiar concept: communication.

These companies illustrate that organizations can convert employees' concerns into support for the major changes if they effectively address employees' fears about restructuring and reorganization. On the other hand, if communication is inadequate, employees will be more resistant to change.

A Columbia University study found that 59 percent of chief executive officers (CEOs) consider frequent communication with employees important to their jobs. And 89 percent expect communication to be more important to the CEO's job in the years ahead.

Based on our reading of published accounts of many restructurings, we believed, at the start of this project, that communication processes were an important ingredient of successful change.

EIGHT PRINCIPLES OF EFFECTIVE CORPORATE COMMUNICATIONS

During organizational changes, certain factors play roles in the effectiveness of employee communication. Each factor alone carries weight, and also inter- acts with the changes in important ways.

Most important for managers: Each factor applies to a variety of industries and organizational settings.

1. THE CHIEF EXECUTIVE AS COMMUNICATIONS CHAMPION

The most significant factor is the CEO's leadership, including philosophical and behavioral commitments.

The CEO must be philosophically com- mitted to the notion that communicating with employees is essential to the achieve- ment of corporate goals.

It follows that a CEO with a strong commitment sets a different tone for the rest of the company than one who considers communication “nice, but not necessary.”

Executives at one firm we investigated, for instance, told us they consider employee communication “the most important managerial activity in this company.” They regard it as a crucial tool for managing routine activities—from new product introductions to changes in the benefits policy—and for responding to extraordinary matters, such as an effort to unionize or an investigative report con- ducted by “60 Minutes” or “20/20.”

In addition to espousing a philosophical commitment to employee communications, the CEO must be a skilled and visible communications role model. The CEO must walk the talk if the organization is supposed to walk the talk.

One CEO, for example, spends an aver- age of four to six hours per week talking to groups of employees—fielding their questions and actively exchanging ideas. What he does do well is communicate often (frequently in person), display a willingness to address challenging questions, listen carefully, and respond quickly to sensitive topics.

Besides having a philosophical commitment and serving as a role model, top management must have another attribute vital to effective communications: They must be willing to deliver key messages themselves. This task cannot be delegated, as one professional staff member explained:

If they have a vision and they can't share it, can't make people see it, then they're not going to be effective in their job. . . . Yes, others can help, but if [leaders] can't articulate it directly themselves, nobody else can do it for them.

2. MATCHING ACTIONS AND WORDS

Another critical factor for effective employee communication, and one closely related to CEO support and involvement, is managerial action. Our study confirms that actions definitely speak louder than words. Too often, people told us, the implicit messages that managers send contradict the official messages as conveyed in formal communications.

Consider the possible fallout if FedEx had referred to the Flying Tiger deal as a “takeover” or “acquisition” rather than as a “merger.”

The formal message—one of welcome, partnership, and common enterprise— could have been twisted into an “us and them” message.

One senior vice president described the close relationship between words and action as the critical success factor in his company’s effort to restructure.

3. COMMITMENT TO TWO- WAY COMMUNICATION

Dialogue and two-way communication have gained popularity as important elements in implementing total quality and employee involvement programs.

In our research, the firm that displayed the highest commitment to two-way communication did so enthusiastically. Using interactive television broadcasts, managers at this company stage call-in meetings so employees at all locations can ask questions. Managers are trained in feedback techniques, and company publications further solicit employee comments through Q&A columns and reader-comment cards. Other techniques include reward and recognition programs for upward communications, as well as clear, swift grievance procedures.

If a company is serious about two-way communication, it should allocate as many resources (money, communications vehicles, and staff expertise) toward helping employees with upward communication as it does to foster down- ward communication.

4. EMPHASIS ON FACE-TO-FACE COMMUNICATION

Face-to-face communication between top management and employees is a particularly useful form of two-way communication. Managers strongly endorsed it, especially for handling sensitive issues or managing large-scale changes, such as a restructuring of the organization. Many companies arrange gatherings at which employees—an entire group or a representative sample—can ask the CEO questions. The CEO may travel regularly to dispersed sites for this purpose. As a secondary benefit, the company may broadcast a Q&A meeting at one site to employees at other sites. In other companies, senior executives meet with management trainee classes at the corporate training center.

An effective ongoing practice, the face- to-face meeting plays a crucial role during times of uncertainty and change.

Based on feedback from employees, one firm learned that face-to-face encounters had made a critical difference in how it managed a major acquisition. The company had sent senior management to every major installation of the acquired firm. In all, 75 percent of the acquired firm's employees had an opportunity to meet the CEO and other top officials. "We stood there for hours, until every question was answered," one participant recalled.

What that gave employees, recalled another, "was the chance to take a measure of you, look you in the eye, ask some questions and see how you responded." The benefit of such give-and-take meetings, said an executive, is that they "expose you to a large group of people [many of whom] feel . . . 'I didn't ask him a question but he was there if I wanted to'. . . .You get to be seen as a person who understands what's happening, who is cognizant of feelings, who doesn't have all the answers but is willing to listen and learn, and who has a vision so that others will say, 'I'll work for

Talking face-to-face is one thing; ex- changing straight talk is another, however. In the case of the acquisition, the straight talk didn't end after the first meeting with employees of the acquired firm. Afterward, the company trained 150 of its non-management employees to handle nitty-gritty concerns that remained among non-management employees at the acquired firm. Three- and four-person "ambassador teams" traveled to 16 cities. Although the atmosphere of the meetings was described as frosty at the outset, it usually improved as the ambassadors answered a host of questions about such issues as seniority, pay, and working conditions.

5. SHARED RESPONSIBILITY FOR EMPLOYEE COMMUNICATIONS

Clearly, responsibility for effective employee communications is shared, rather than centralized, in companies that have adjusted to major change.

Every manager serves as a communication man- ager. “People want to hear news from their boss, not from their peers or from the grapevine,” said one communications manager.

This view was confirmed by employee surveys taken by several companies. When asked to rank their preferred source of company news, employees cited “my supervisor” as their top choice. Yet, the more frequent sources of company news are, for many employees, “the grapevine” or “the media.”

Another common communications “disconnect” occurs when messages from chief executives and communications staff get derailed by lower-level managers— through neglect, antipathy, or lukewarm support for the message.

Corporate communications should address the broad issues and the local manager should address the local issues. Top management must be responsible for conveying the “big picture,” but only the supervisor can link the big picture to the work group and to the individual employee.

6. DEALING WITH BAD NEWS

A more subtle factor that affects employee communications relates to the way bad news is received by top managers, and then shared with others in the organization. “Bad news” may include service or quality failures, delays, customer complaints, or criticism from outsiders. In short, it is the opposite of “happy news”.

Although we did not launch a formal study of “bad-news to good-news ratios” among our 10 companies, an informal content analysis suggests it varied widely. Interestingly, the company with the highest bad-news to good-news ratio appeared to be performing very well, in terms of employee satisfaction and economic performance. ….. What is the reason for this?

7. CUSTOMERS, CLIENTS, AND AUDIENCES

In each of the companies we studied, the communications staff had developed a clear sense of the people they served—a "customer focus," in the words of quality management. Yet there was considerable diversity in their identification of the customers.

One way to identify the internal customers is to look at the person driving the employee communications—the message- senders ("we want you to know this") or the message receivers ("this is what we need to know").

Tom Peters' concept of "keeping close to the customer" was invoked in a surprisingly large number of these companies. What does the customer want to know? When do they prefer to receive information? In what form (at home, electronic mail, graphic display) do they want to receive it?

8. THE EMPLOYEE COMMUNICATIONS STRATEGY

Each of the previously mentioned factors involves communications and managerial processes, not products. This was surprising at first, in part because communications products—slide shows, videos, and newsletters—are frequently the focus of discussion in the communications literature. Our conclusion is that, among leading companies, employee communications is viewed as a critical management process. That is a new focus.

When viewed this way, the strategy for effective employee communications becomes much clearer and easier to understand. Five consensus ideas stand out from the data collected in our sample of leading companies:

i. Communicate Not Only What Is Happening, but Why and How It Is Happening.
ii. Timeliness Is Vital.

Communicate what you know, when you know it. Do not wait until every detail is resolved.

iii. Communicate Continuously.

Communication should be continuous, particularly during periods of change or crisis. Our respondents stressed the importance of continuously sharing news, even if the news is simply that "discussions are continuing". Dead silence is deafening.

iv. Link the "Big Picture" with the "Little Picture."

There is a consensus that truly effective communication does not occur until the employees understand how the "big picture" affects them and their jobs. Changes in the economy, among competitors in the industry, or in the company as a whole must be translated into implications for each plant, job, and employee.

v. Don't Dictate the Way People Should Feel about the News.

It is insulting to tell people how they should feel about change ("This is exciting!").

It is more effective to communicate "who, what, when, where, why, and how" and then let employees draw their own conclusions.