

Success With Change

This is part 2 in McLagan's four-part series on change. Part 1 (November) dealt with change leadership and the challenges of change that organizations are facing. McLagan scanned the world's research, showing that leaders everywhere are concerned about their track records with planned change, and she described some of the reasons for failure and frustration. In this article, McLagan again draws from world research to tell us what's happening as organizations implement change successfully.

“Ignore these lessons at your peril.
Embrace them and succeed.”

By Patricia A. McLagan

Most of us know the saying, “Change is the only constant.” But scholars and practitioners have only recently started, with gusto, to try to understand change dynamics in and around our institutions—with the intent to influence the direction and impact of change. Organization development, the discipline focusing on organizational change, is still emerging as a science. In the meantime, fads and trial-and-error dominate our efforts to deal with the important and pervasive issue of change.

Admittedly, there's much to learn about how to make change successful. The United States National Research Council, for example, published a review of research findings that found lots of articles and studies but few based on what

worked and why. For example, only 3 percent of the articles investigated the success of reengineering. But the area of “what works in change” is attracting more research attention throughout the world, and leaders can draw on some precedents with growing confidence. Important lessons are emerging to guide organizations in change. If you heed those lessons, the chance of costly failures and organization trauma diminishes significantly.

I’ll focus on five key lessons for implementing and sustaining change. I’m confident enough in the conclusions to say, “Ignore these lessons at your peril. Embrace them and succeed.”

Lesson 1:

Be sure the change will add value.

That seems obvious. Yet, there are many, many instances of changes that occur because they’re the latest fad, someone’s pet project, or technically brilliant or seductive—or they promise benefits that can’t be achieved with the proposed solution. You should ask several questions to test the potential real value of a change.

Will this change make us more successful in our environment? In the 1990s, the financial industry went through a major shakeout worldwide. Services of all kinds—saving, investing, borrowing, banking—began to come together in single institutions. Likewise, the health-care industry experienced a shake-up globally, facing new pressures to focus on health improvement and cost management versus just taking care of the sick. The financial and health-care institutions that made fundamental changes in their core competencies succeeded. Those that didn’t make such changes failed. Some institutions tried to make only superficial changes. They restructured, downsized, brought in new leaders. But those peripheral changes weren’t enough.

The opposite is also true. If the environment doesn’t require and won’t support major new directions, then making core changes (in strategy, core competencies, and such) may fail. One look at dot.coms makes that clear. Markets didn’t have the skills or desire to support the changes, and so—demise. That doesn’t mean some dot.coms won’t be successful in the future; perhaps they were an idea before its time. But their failure does mean that a severe mismatch with the environment is a recipe for disaster; a match is a formula for success.

Will this change make work more successful while reducing the effort required? Will it provide truly better customer service or product quality? Will it have a positive impact on people at work—their status, the meaning of their work, the ease of work, the elimination of barriers to success? It’s not enough that on the surface the change is a good technical, financial, or political idea. That may matter to executives and technical people. But if the change complicates things for customers or for people at work, reject it unless you’re willing to spend vast extra resources supporting and getting compliance with the change. That doesn’t mean avoiding the pain of change and learning, but it does mean ultimately there must be something better for key stakeholders affected by the change.

Will this change really improve performance for our overall organization? A change that’s positive for part of the organization might not be positive for the organization overall. One interesting study found that in 11 of 15 reengineering situations, there was cost improvement in the redesigned process, but the improvement didn’t translate to the business as a whole.

There are no statistics on the amount of time, money, and anxiety we can save by testing the potential real impact of a change before we try to implement it.

My guess is that more than half of all change projects shouldn’t be introduced at all. In South Africa, with so many changes happening at once to compete globally and redress past wrongs, initiative overload is a big change challenge.

Lesson 2:

Match change process to the challenge.

Some changes are complex and unpredictable, such as moving into e-commerce or helping a former monopoly function successfully in a competitive environment. Other changes are relatively simple, such as shifting from one word-processing software to another. More complex and dicey changes generally call for new roles and power relationships, as well as changes in a variety of systems and processes. Simpler changes leave roles and relationships intact and just call for a few behavior, knowledge, and skill changes.

Another dimension of change is whether there are role models, precedents, and tested guidelines to follow, and whether there’s expertise you can turn to for support and coaching.

Complex and unpredictable changes require more resources for trial-and-error and for learning. They call for multiple changes in systems and processes, and for lasting and visible commitment from leaders who must provide vision and optimism until results occur and the change is sustainable. Those more difficult changes also require increased attention to communication and the human side of change. Simple and predictable changes seldom need extra attention.

The nature of a change dictates the best method. One major review of research concluded that some changes can be done in incremental pieces, but those involving “changes to tightly coupled formal structures associated with strong power bases and deep systems of beliefs

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often require a forceful intervention and discontinuous replacement.” In other words, if the change is complex and doesn't match your current culture, be ready for a tough road ahead. For example, an investigation of all of the major changes in the global semiconductor industry from 1985 to 1995 concluded that some industry changes were revolutionary and required a large amount of experimentation and resources, a loose structure, and broad involvement in planning. Other changes were evolutionary and could be efficiently managed traditionally, using standard project management methods.

Think of changes as transactional, transitional, or transformational:

Transactional changes (such as switching software) require only a few minor interventions—for example, training or changing the incentive system.

Transitional changes are complex and shake up roles, power bases, relationships, and systems but have expertise and guidelines; an example would be opening an additional plant in another country. Transitional changes require a much higher investment in change management than transactional changes. If you want success, you have to set up detailed project plans, phase in innovation, address the emotional side of change, and take all of the other actions described in this article.

Transformational changes require a re-design of virtually everything in the organization—especially the fundamental beliefs and norms that guide decisions and actions. Organizations everywhere face transformational change as they adapt to the global business and terrorism environment. In transformational change, usually there are no or few guidelines so there's a lot of trial-and-error and cost. You can set up projects to help guide progress, but the major effort must go into making the organization more adaptable and flexible so that it can learn as it goes along.

All of that requires asking and answering some additional questions:

- How complex is this change in terms of the number, breadth, and depth of pieces and actions it contains?
- For this change, are there obvious and clear solutions and precedents (it's relatively predictable)?
- Is this change transactional (simple and predictable); transitional (simple but unpredictable, or complex but predictable); or transformational (complex and unpredictable)?
- What level of investment we will have to make to ensure success (low for transactional, moderate to high for transitional, or very high for transformational)?

Lesson 3:

Provide management support.

Management has the tough job of guiding change. Some changes (the more predictable ones) thrive on more structure, traditional controls, and management nurturing. Others (the less predictable ones) require more decentralization and involvement in planning and implementing. Designing and guiding an organization for ongoing change is another matter that requires transformation—not only of the organization but of the leaders. Transformational leadership demands a blend of focus, determination, and empowerment that few leaders exhibit these days.

The world's research confirms what we know—that managers and leaders are crucial for the success of change. Leadership can, and often does, come from people without formal management responsibility. But the following messages are important for all formal leaders to hear and act on.

Be guided by clear goals and feedback. One detailed review of complex business process reengineering projects in Europe found that clear goals “were key.”

Have a structure that optimally balances plans and flexibility. *Built to Last* and *Good to Great* author Jim Collins “Built to Be Great” (August T+D) found that 11 breakthrough change companies (from a group of 1435 organizations) combined a disciplined culture, in which key rules and norms were followed consistently,

with rewards for entrepreneurship. Another study, which focused on large computer firms in three countries, found that “just right” structure was a key success factor. Poor implementations were either too highly structured or controlled, or there was no structure at all.

Invest the required resources. Don’t scrimp on the resources you need. If you needed to boil water, you’d turn the dial on the stove up to high, not medium; you’d put in the energy to achieve the goal. One team studied 100 companies involved in reengineering projects throughout the world. In the most successful redesigns, managers were generous with resources over a period of years. They also invested a significant amount of their own time. Collins’s research drew the same conclusion: The 11 companies that broke away from industry norms to high performance showed rigor and focus in budgeting. They decided what to fund and funded it fully.

Create frequent wins. Some changes take a long time and involve difficult personal and organizational transitions. Things may also get worse before they get better. In such an environment, it’s easy to give up before the change can gain traction. Thus, it’s important for leaders to keep up optimism and energy by finding and publicizing the small steps forward. When people see improvements, that inspires them to more action.

That was a clear success factor in one large study of changes in hospital patient care. You can achieve the same by implementing in phases. An in-depth study of quality improvement programs in eight unionized plants in Ireland and the United States showed that success is more likely when it’s implemented in phases. The end of each phase creates a sense of moving forward—a kind of small win. Related to that, the U.S. National Research Council’s review of the organization change field concluded that continuous and small changes and

improvements are more effective than massive change programs—perhaps partly due to the small-wins factor.

Lesson 4:

Prepare the system for change.

A recurring theme in the world’s change research is the importance of adjusting various aspects of the organization so that the change can take root and thrive. A change may require minor or radical shifts in processes, technology, tools, information flows, skills, structures, facilities, and so on. The important lessons follow.

Be sure work processes are supportive. An intensive study of change failures at IBM found, for example, that one commonality was the lack of coordination of process changes between departments. For local changes to succeed, the larger processes they’re part of have to change. Another study found that successful reengineering changes didn’t focus on functions and departments but looked at all activities and events involved in delivering a product or service, regardless of whose responsibility they were.

The questions that arise are what, if any, work processes will be directly or indirectly affected by this change and how to align them.

Create change-enabling managers. Many studies point to an obvious but infrequently adhered to rule: Be sure your managers and supervisors actively support the change. When supervisors personally use the change practices taught in training, employees are more likely to also use the new practices. Gallup polls of more than 1 million employees and 80,000 managers discovered that the supervisor is a key factor in the success of any effort. It makes sense to focus on managers. They help make up the glue that keeps an organization together. They can also keep people’s feet stuck in the past. The lesson? Ask

what managers at all levels need to do to support the change and how we can support them in their roles and actions.

Align the HR system. Many of the studies conclude that human resource practices such as selection, career movement, performance management, and pay and reward are critical success factors in change. HR practices must support the change or long-term success is unlikely.

That idea must be catching fire. A study of 3500 organizations worldwide found a dramatic increase in emphasis and investment in HR practices and innovations globally. Another investigation of 2800 organizations concluded that HR practices have more impact on a firm’s performance than improvements in the quality of its business strategy. A large global study determined that when changes in HR practices accompanied technical changes, a significantly greater performance improvement occurred over technical changes alone. Success requires asking how HR practices support or impede the change and what we can do to get the HR system alignment needed for success.

Other research tells us about the importance of removing barriers to the change and making enough changes to ensure success. Ask what organizational barriers could defeat the change and what to do about them. Also ask, As we review our change plans, how confident are we that we’re making enough supportive changes to give birth to and grow the change successfully?

Lesson 5:

Help people align.

The first four lessons focus primarily on the technical aspects of a change. Focusing on that alone may be enough for transactional (simple and predictable) changes. But for any other kind of change, the people side makes or breaks success. The world’s research provides guides.

Questions to Ask for Success

1. Be sure the change will add value.

Will this change make us more successful in our environment?

Will this change make work more successful while reducing the effort required?

Will it provide truly better customer service or product quality?

Will it have a positive impact on people at work—their status, the meaning of their work, the ease of work, the elimination of barriers to success?

Will this change really improve performance for our overall organization?

2. Match the change process to the change challenge.

How complex is this change in terms of the number, breadth, and depth of pieces and actions it contains?

For this change, are there obvious and clear solutions and precedents (it's relatively predictable)?

Is this a transactional (simple and predictable); transitional (simple but unpredictable, or complex but predictable); or transformational (complex and unpredictable) change?

What is the level of investment we will have to make to ensure success (low for transactional, moderate to high for transitional, and very high for transformational)?

3. Provide management support.

What are our goals for this project, and how can we keep them alive throughout implementation?

How can we best organize and structure this change to ensure an effective blend of discipline and flexibility?

What resources and management focus are really required for success? Are we committed to fully funding and supporting this change over time?

How will we find, notice, acknowledge, and communicate the little steps forward so that we can keep momentum going on this change?

4. Prepare the system for change.

Which, if any, work processes will be directly or indirectly affected by this change? How can we align them?

What do all managers need to do to support this change, and how can we support them in their roles and actions?

How do all our HR practices support or impede this change, and what can we do to get the HR system alignment we need for success?

What organizational barriers could defeat this change, and what will we do about them?

As we review our change plans, how confident are we that we're making enough supportive changes to give birth to and grow the change successfully?

5. Help your people align.

What does our current psychological contract imply about how we will manage this change?

What decisions may affect people adversely, and how can we make those decisions fairly and justly?

What are the key short- and long-term positives of this change for the organization and its people?

Who are the opinion leaders that people listen to, and how can we get them involved?

What are the main messages that leaders need to stand for—over and over—until this change is in place?

Where do the people who can contribute to defining or implementing the change needed to be involved?

What skills do people need to make and sustain the change, and how do we help develop those skills?

What are the desired behaviors that won't happen without offering people incentives?

Honor the psychological contract. That's the implicit and explicit agreement about an organization's and employees' commitment and behaviors toward each other. There may be agreements about employment continuity, development, being a family, and the relationship between performance and continued work. The traditional relationship focused on loyalty of both sides. Some of the newer contracts focus just on the immediate exchange of work for pay. Research tells us that how you implement change must be consistent with the psychological contract or you'll pay a high price of prolonged survivor bad feelings and general ill will.

Ask, What does our current psychological contract imply about how we'll manage this change? If you find that you want to manage the change in ways that break the contract, be ready to deal with the consequences—and plan to change the contract for the future.

Be scrupulously fair and trustworthy. People can accept changes that affect them adversely if they believe the change is right and procedural justice was followed. Decision makers must work hard to be objective and fair to all affected parties, and they must communicate about the change and their decision process. One study found that, regardless of whether people felt a change was positive or negative, they expected to know the rationale for how the change was implemented and why some people were more affected than others. It's important, then, to ask what decisions might affect people adversely and how to make those decisions fairly.

Find the positives. The first lesson (be sure the change will add value) tells us how important it is to pick changes that will make a difference. Here the emphasis is on communicating the value of the change. The world's research confirms that people will support changes that make sense—that make work easier and

more effective, that make customers happier, that improve product quality. People also have to believe that the change is achievable. One research group discovered after a comprehensive literature review that people commit to change for these reasons:

- to comply
- to be like others they admire
- to support a change they intrinsically believe in.

The latter produces more lasting commitment. The key question is what are the critical short- and long-term positives of this change for the organization and its people?

Involve opinion leaders. Some people have more influence on what employees do than others. Successful change efforts draw on the expertise and energy of opinion leaders, who often aren't the formal leaders in the organization. Success with change may hinge on the answer to this question: Who are the opinion leaders that people listen to? How can we involve them?

Communicate effectively and over the long-term. Sadly, by the time executives approve a change project they've often lost interest in it. They may have spent months looking at the pros and cons and making the decision. Now, they're ready to move on to something new at the very time when they should be showing their support for the change, visibly and continuously. The decision to make a change is only the beginning of an intense and ongoing communication process that may last for years. Research tells us that it's important for managers to find the mental and emotional stamina to keep talking about the same message over and over again. That's especially true in organizations where people's trust is low. Successful managers keep this question in front of them: What are the main messages I need to stand for—over and over—until this change is implemented fully?

Involve people appropriately. Research

tells us that when people are involved, they're more committed. It's also clear that decisions in the current complex business world require broad involvement and input. But involvement won't save a change that doesn't add value or is implemented unfairly. Involvement must have a purpose. If it's just a way to manipulate people and has no potential impact on decisions, don't go through the motions. That only breeds cynicism.

Researchers who are famous for their studies on the effects of involvement on goal achievement conclude that people don't have to participate to be committed. But they do need to trust the people setting the goals, believe that the goals will lead to greater performance, have access to feedback, and have control and ownership of the steps and actions for achieving the goals. In other words, there needs to be participation at the level of getting things done. Successful changes always involve the people affected because they have important contributions to defining or implementing the change.

Other research highlights the importance of ensuring that people have the skills they need for implementing and sustaining the change. It's also crucial to align incentive and pay systems, especially if the change isn't naturally rewarding and motivation is low. Ask what skills people need to implement and sustain the change and how to help develop those skills. Also ask what desired behavior won't happen without offering incentives.

It might not be possible to manage change, but we can influence it. Although change leadership is evolving as a discipline, world research is filled with useful lessons about what actually works. The findings and resources cited in this article are not theory. They aren't fads. They are major and recurring themes related to successful change efforts worldwide. Managers and change agents reviewing these lessons may

The World's Research

Here's a sampling of the studies and literature on which the article is based.

- *The HR Scorecard: Linking People, Strategy, and Performance* (Harvard Business School Press, 2001)
- "Factors Affecting the Implementation of Process-Based Change" (*International Journal of Technology Management*, 2001)
- *Good to Great: Why Some Companies Make the Leap...and Others Don't* (Harper Business Press, 2001)
- "Time, Temporal Capability, and Planned Change" (*The Academy of Management Review*, 2001)
- "How Can You Help Your Staff Accept Changes in Their Jobs?" (*Wood Technology*, Nov/Dec 2000)
- "How the Incumbent Can Win: Managing Technological Transitions in the Semiconductor Industry" (*Management Science*, 2000)
- "A Theoretical Extension of the Technology Acceptance Model: Four Longitudinal Field Studies" (*Management Science*, 2000)
- "Modeling the Dynamics of Strategic Fit: A Normative Approach to Strategic Change" (*Strategic Management Journal*, 2000)
- *First, Break All the Rules: What the World's Greatest Managers Do Differently* (Simon & Schuster, 1999)
- *Research in Organizational Change and Development* (JAI Press, 1999)
- "Managing Hospitals in Turbulent Times: Do Organizational Changes Improve Hospital Survival?" (*Health Services Research*, 1999)
- "Sanding Down the Edges: Paradoxical Impediments to Organizational Change" (*Journal of Applied Behavioral Science*, 1999)
- "What's a Reason to Change? Motivated Reasoning and Social Accounts in Promoting Organizational Change" (*Journal of Applied Psychology*, August 1999)
- "Corporate Restructuring and New Forms of Organizing: Evidence from Europe" (*Management International Review*, 1999)
- "Change and Employee Behavior" (*Leadership in Organization Development Journal*, Mar/Apr 1998)
- "The Art of Continuous Change: Linking Complexity Theory and Time-Paced Evolution in Relentlessly Shifting Organizations" (*Administrative Science Quarterly*, 1997)
- "Evaluating the Success of a Large-Scale Training Effort" (*National Productivity Review*, 1997)
- "The Adoption of High-Involvement Work Practices" (*Industrial Relations*, July 1996)
- "Reengineering and Organizational Change: Lessons From a Comparative Analysis of Company Experiences" (*European Management Journal*, 1995)
- "Explaining Changes to Employees: The Influence of Justifications and Change Outcomes on Employees' Fairness Judgments" (*Journal of Applied Behavioral Science*, 1995)
- "How to Make Reengineering Really Work" (*Harvard Business Review*, Nov/Dec 1993)
- *Theory of Goal Setting and Task Performance* (Prentice Hall, 1990)

Most organizations could dramatically **reduce** the number of change **initiatives** and thus find the resources to do a few things well.

rightly make a few conclusions.

One, implementing and sustaining change require more than a dream and a goal. Although those are important, when you embark on a major organizational change be sure it will matter and be worth the effort. Be ready to put the resources and time into making it happen.

Two, pay attention to the systems and people issues. As the previous article in this series noted, 65 percent of all changes are considered failures. A large percent of the rest fail to meet all expectations. If you're not ready to put the energy into make a change successful, it might be better to cancel. Certainly, most organizations could dramatically reduce the number of change initiatives and thus find the resources to do a few things well. Of course, you always weigh the number of initiatives against demands of the environment and market. If the environment requires lots of change, that's the management challenge. Just be sure that what you decide to do is in the organization's best interests and that you're ready to answer the questions and take the actions that the world's research says are key to success.

The next article in this series will focus on organizational transformation—what it requires and how leaders and everyone in the organization create the conditions for success today and tomorrow. TD

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This article was based, in part, on her research reported in "Success With Change: Lessons From the World's Research." The full report is available for purchase at www.mclaganinternational.com.