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### **Change Management – Nine Rules for Successful Organizational Change**

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***He who has no doubts, must be mad.  
He who doesn't change, is stupid.***

Sir Peter Ustinov

#### **Nowadays deep-reaching change is just another aspect of life**

This quote, made by the actor *Sir Peter Ustinov* on the occasion of his 80th birthday, reflects the attitude of many companies in recent years. Since the mid 1990s numerous change processes have taken place which are far deeper and more comprehensive than the restructuring activities of the more remote past. The intention of these changes is to optimize the use and further development of existing potential. In this way the organization's market and competitive position should be secured in the long term, despite their increasingly difficult and turbulent environment. The organizations involved have made major investments in these projects. For example, the Fortune 100 companies spent an average of 1 billion US\$ each on reorganization projects between 1980 and 1995, and even small and medium sized enterprises often spent several million Euros on change. Despite this high financial cost, and the numerous implementation measures accompanying these change processes, between fifty and eighty percent of them have never reached their targets, or have failed completely.

So what makes planned change successful and what can cause failure? What are the special characteristics of a successful change process? What aspects deserve the special attention of the responsible managers during their company's transformation process or, in other words, is there such a thing as the "Art of Successful Organizational Change"?

#### **Change is often a case of trial and error**

There is no generally valid or simple answer to these questions. The number and variety of concepts or models presented in recent years – from Lean Management to Business Re-engineering to Total Quality Management and the Learning Organization – shows that there is no "one best way" for the new and restructuring of organizations. Instead it is often just a trial and error process which ties up significant resources, requires substantial energy and with an outcome that is far from certain.

This gains in relevance as change within the lifecycle of an organization is becoming more of a permanent situation than an exceptional event. The role played by purposeful change will thus become more important from now on. This challenge is not to be underestimated, as the following quote from the *Economist* puts succinctly : „Anyone who tells you it is easy to change the way groups of people do things is either a liar, a management consultant, or both“.

### **Which factors influence the success of change measures?**

To identify and quantify the factors affecting the success of a change process the Institute of Change Management and Innovation joined forces with the Stuttgart Chamber of Commerce to survey 178 businesses of varying sizes and from different branches with a written questionnaire. The basis of the research was a success factor model with three dimensions: process quality (e.g. objectives of the change process, timing of the measures); management quality (e.g. management behavior, communication in change) and micro-politics (e.g. allocation of power, personnel policies). The research concentrated on transformative processes which were initiated because of increasing cost and competitive pressure, the intention to merge, or changes in top management. But the “desire to get better” was also often quoted as the motivation behind a major change program. The main objectives followed by the companies were the maintenance of competitiveness, increases in returns and turnover, and reductions in personnel costs, as well as improvements in market and customer orientation. It is thus no surprise that the processes were generally concerned with “typical“ tasks such as the introduction of new organizational, management and IT structures, strategic reorientation, the integration of organizations and the implementation of process and quality management.

The statistical analysis of the questionnaire results leads to the conclusion that the success of change depends greatly on the motivation of the employees. Both monetary motivators and freedom in the execution of tasks play important roles in this causal relationship. Willingness to change can be achieved through the appropriate involvement of employees, training in both the change process itself and the newly allocated tasks, an accompanying strong and open information and communication policy, as well as the visible and practiced identification of the management - particularly lower and middle management – with the change process (the so-called „commitment“). This makes sense as only employees who have been prepared for their new tasks, and who know what the intentions of the change process are, will be willing to follow their boss’s example - on condition that the boss provides them with an appropriate example to follow. Clear targets and timeframes for the process implementation, the delegation of responsibilities and competences, freedom for the employees to implement their own ideas, and the provision of material and immaterial benefits are further important preconditions. The negative effects that resistance and conflicts will have on the achievement of the objectives should never be underestimated, and appropriate measures must be taken to avoid them as far as possible (Figure 1).

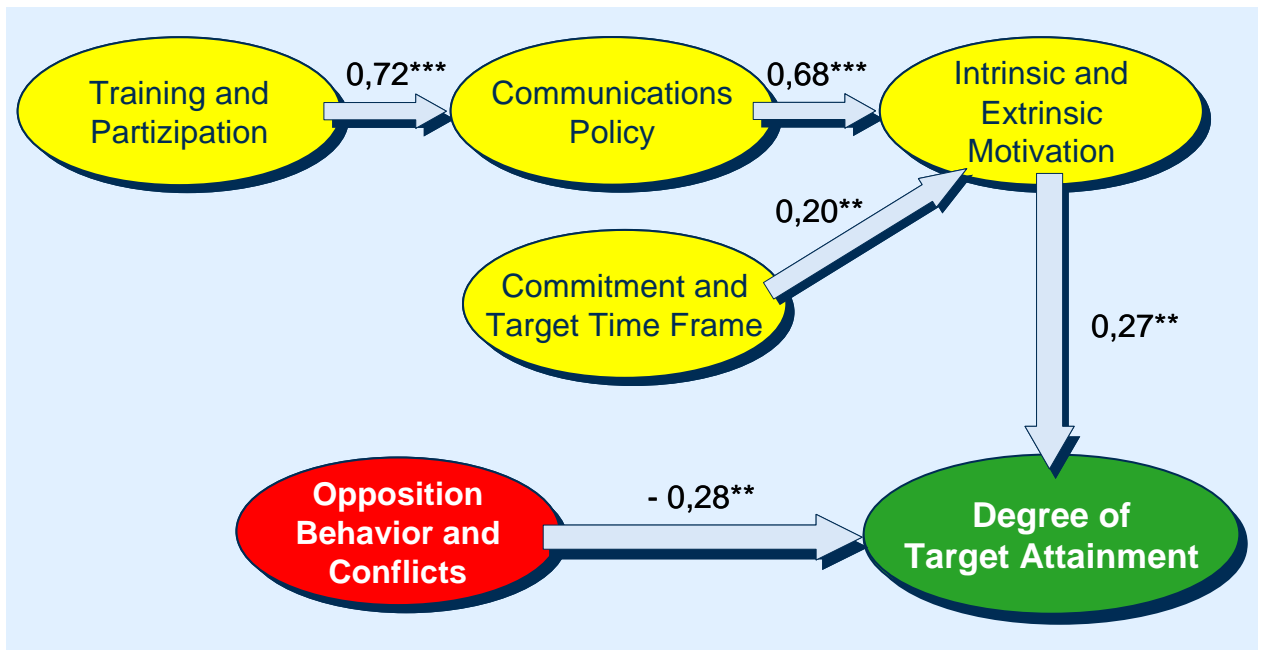


Figure 1: The Institute of Change Management and Innovation's Success Factor Model

### Nine rules for successful organizational change

This knowledge in itself is not new. Experienced practitioners know how important the psychological aspects of deep-cutting change measures are. In business literature there are repeated non-specific references to the need to pay attention to the employees' needs and fears. To date there has however been a lack of clear recommendations concerning the structuring and control of change processes. Here nine "rules for successful change" will therefore be provided. They clearly list the „to dos“ for organizations which wish to structure their future change processes successfully.

**Change which prepares for the future provides room for maneuver!**

Many change processes are only initiated as an answer to acute economic threats or even crises. Often this isn't so much active change management as a reactive attempt to achieve a turnaround and rescue the company. Some of the organizations surveyed reported that they were under pressure to act when they initiated their change processes. In contrast the economically successful organizations took action to prepare their organizations for the future and with the objectives of avoiding commercial bottlenecks before they occurred and of improving the company's achievement of its targets.

Whatever the case organizations should seize the opportunity to initiate anticipative change as comprehensive change always needs a reasonable length of time to take effect. In addition only the timely start of the change process allows for a detailed analysis of the actual situation and the development of a master plan for organizational change which includes alternative action plans and perspectives for further

development. Thirdly, the positive effects of the success factors “communication” and “participation” need a certain amount of time to unfold. Finally, the complexity of the organization and its environment and thus of the change programs continues to increase. This demands early warning systems which enable the timely recognition of even weak signals by the company so that it can use these to structure its planned change. In this way the company can maintain its freedom to maneuver and is not forced into a passive role.

**The complexity of change should not be underestimated!**

The transformative change examined in the CMI research affects either the entire organization or major parts of it. The need to integrate the ‘hard’ and ‘soft’ aspects of the change is an intellectual challenge for the company’s management. American business literature thus speaks of the “lack of cognitive capacity” as a barrier to change. This restriction is not to be underestimated when working to integrate the complicated and interrelated parts of a transformation process in order to achieve success.

Our experience has shown us that careful analysis and planning can contribute significantly to the avoidance of „reality gaps“, i.e. premature or delayed behavioral or organizational change (Figure 2). Successful companies were identified as those with a clear, detailed and unambiguous definition of their targets and deadlines for the change process and its sub-processes. This type of target and time planning needs a careful and comprehensive analysis of the company’s internal and external situation, the targeted objectives, potential alternatives and expected problems. In this way the responsible managers and their employees can gain progressively more insight into the complex change situation which thus becomes easier to control. As far as is possible the cognitive learning process and also the content of the change process must be synchronized into a holistic process.

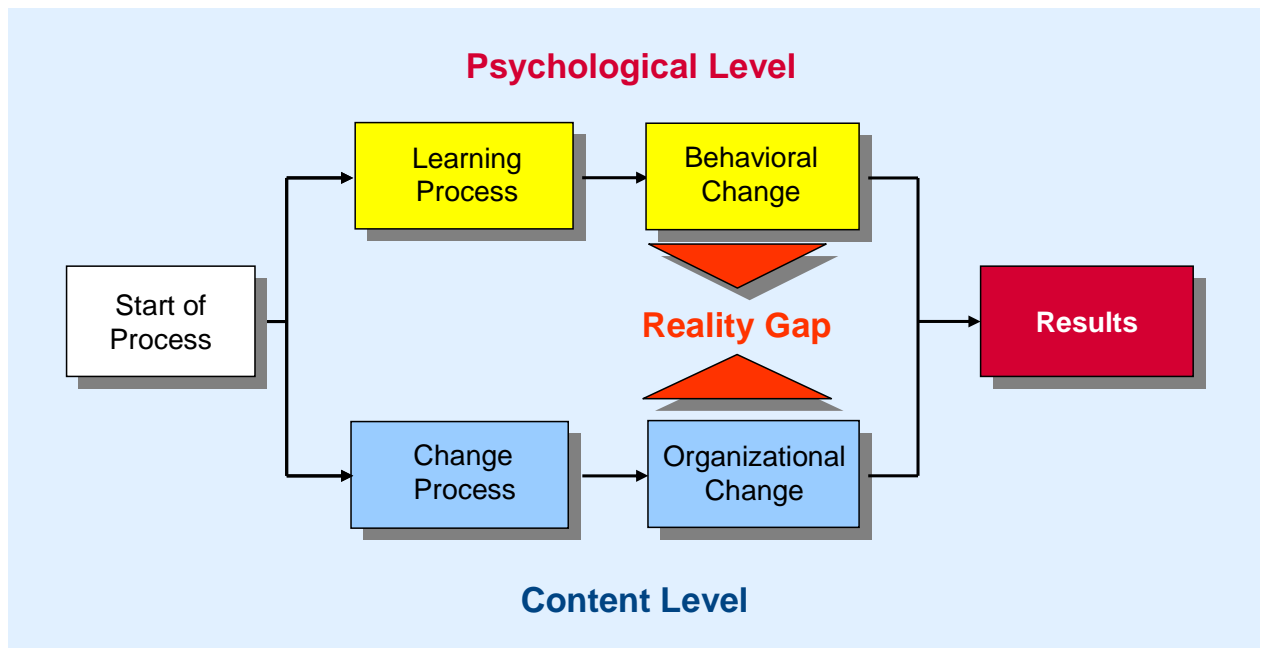


Figure 2: Avoid reality gaps!

**Change needs clear and understandable objectives!**

Clear and unambiguous objectives don't just help to reduce complexity. They also have a strong motivational effect on the employees – as long as they are stated understandably and in practical terms and can actually be achieved using the available resources in the defined period of time. This motivational effect is related to the characteristics of objectives, which often make the rather visionary intentions of the management understandable (informational character) and which can also be seen as milestones on the way to achieving the intended results of the change process (control and management character). The necessary attention really must be awarded to the general and precise definition of the objectives because at a later stage even double the effort won't help if the final destination is unknown, or has been forgotten.

**Most change takes place in peoples' heads!**

The decisive factor for the degree of target achievement is motivation, as was proved in our study. Motivation is created through the activation of specific personality characteristics – the motives – which arise as responses to situation-specific conditions (stimulants). No degree of detail in change planning on paper is of any use without the appropriate communication measures and the involvement of all those affected to ensure that the new strategy and the changed process structure, the improved customer orientation etc, are firmly anchored in the employees' consciousness. Without these factors the implementation success will fall way behind the expectations. One example of this can be clearly seen in the failure of numerous re-

engineering projects in the 1990s: „Green field“ principles and pure top-down methodologies in combination with the management systematically neglecting soft factors led to mental blocks and thus to the all-too-familiar implementation problems.

### **Change needs appropriate communication!**

In order to win all the employees' support for the change appropriate communications measures are necessary. The exchange of information is a main prerequisite for team work. Communication thus supports the target-oriented management of human behavior in the change process – to the extent that this is possible. Most of the companies that we examined have recognized the importance of communication as a 'catalyst of change' and place great value on the exchange of information -especially on verbal communication.

Open and timely communication concerning the status of the planned measures has a significant effect on the degree of target achievement. The exact nature of the communication is important here, with the 'appropriate' nature of the communication in terms of its content, timing and extent having to be checked in each specific case. After all, both the requirements of the change process and the needs of the employees have to be considered. "Too much" communication can end up being just as harmful as "too little." It is thus recommended that the communication is carefully checked as to its appropriateness before it takes place. Particularly in the case of difficult and unnerving change situations an incorrect information policy can quickly lead to an increase in unease amongst the employees and a loss of their confidence in the management which cannot be won back easily.

### **Changes demand appropriate involvement!**

Anyone who is meant to implement measures which they didn't help develop is likely to dodge performance pressure or even to show open resistance. The fact that this statement can be empirically proven is shown in the comparison between successful and less successful change processes: the active involvement of the lower and middle management as well as the other employees - through for example the delegation of appropriate authority, the transfer of responsibility and the opportunity to develop one's own ideas - led to a significantly better achievement of objectives, particularly in the implementation phase.

It can therefore be confirmed that change processes in which the employees are either not involved sufficiently or at all, often fail completely or do not reach their targets. The lack of appropriate employee involvement is thus quoted as one of the main reasons for the failure of numerous re-engineering projects. However, one still has to look at each individual case to assess what "appropriate" is. The extent and form of involvement depends on the concrete structure of the change situation, the independence needs of those affected, the existing cultural norms and further organizational conditions. Whereby in one case the need for swift action may prevent the comprehensive involvement of the employees, in the next case the involvement of as many of those affected as possible may be vital to the success of the measure. The

basic rule must be “as much involvement as possible, as many top-down decisions as necessary”.

**A constructive reaction to resistance increases success!**

Attitudes to change are distributed normally, as shown in Figure 3: there are a few visionaries, missionaries and active believers who can drive the process as change leaders. The group of opportunists, the “wait-and-see”-ers and those who are indifferent is much larger. Their maxim is: we will behave as required and otherwise this change process will just wash over us. About one third of employees regularly take on the role of the resistance fighters or open opposition who work to a greater or lesser degree to actively prevent the change, and a few even leave the organization as soon as they lose sight of their own personal perspectives – and these are generally not the worst employees!

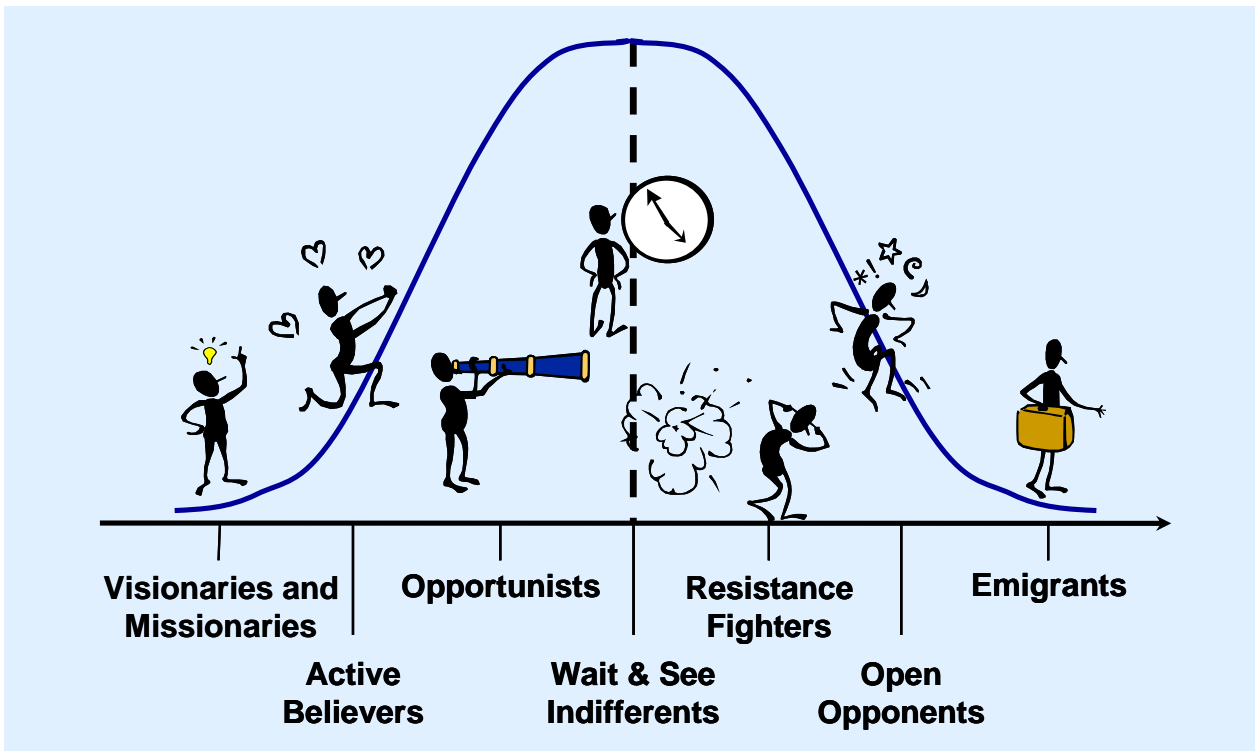


Figure 3: Support those who support change!

The greater the involvement of the employees in the planning and implementation of change measures, the greater the acceptance and thus the lower the resistance to the change generally is. However, resistance is a normal characteristic of change processes. In our research analysis we found that resistance played a major role in the change processes in most organizations, particularly in the lower and middle management.

Now one can, as a top-decision-maker, try to break this resistance using brute force. This might even work (and make sense) in isolated situations; but the affected



employees will probably lose at least their motivation in the process. This method also ignores the opportunities that such resistance can offer – it can provide stimuli concerning the further development of the change process, and the emotional energy available can be channeled to support the achievement of the change objectives. However, for this to happen the management must be prepared to take the reasons behind the resistance seriously and to confront the motives of the ‚resistors‘ openly and honestly. In this way barriers can be removed and it is even possible that as a result better ways of achieving successful implementation can be found together.

### **Self-determination needs training!**

In order to motivate the employees to take on (more) self-determination in the change process training measures are generally required. These measures may include project management training, conflict management workshops, or a qualification as a change agent. In this way the willingness of the employees to change can be complemented by the removal of barriers which still exist due to their lack of knowledge or ability. Accompanying training and coaching programs can play a particularly important role in the case of transformative change processes to help provide the methodological and subject expertise necessary to create a constructive attitude towards the change.

In the companies surveyed training and preparation for the change process as well as for the new tasks were some of the main training measures implemented. In order to ensure that the implementation of their planned changes takes place smoothly organizations should thus at an early stage analyze which target groups should be offered which training activities and how the employees can be persuaded to participate in these activities. Appropriate qualification measures not only increase the employees‘ motivation for the change, they also enable them to carry out their new tasks faster and more successfully during the implementation phase.

### **Management in change must walk the talk!**

The last rule has a major effect on the entire organization and is that a commitment must be made by the management that is visible to all employees: If – speaking figuratively – the captain and his officers disappear below board as soon as a storm is brewing, who is meant to steer the ship through the hurricane? Only when the responsible decision-makers stay on the bridge can the crew trust their leaders. This leads in turn to greater identification with the objectives of the change and less resistance to it. It is logical that the clear commitment of the management, particularly of the middle management, significantly affects the achievement of the objectives as these have a mediating role to play between the visionary strategic expectations of the top management and the day-to-day problem solving attitude of the lower management. If the middle management doesn‘t regularly and clearly speak out in support of the change then there will soon be a wrench in the works and the process may grind to a halt.



Before the transformation process even begins all management, from top level to the lowest level, must agree to set an example by “living” the planned changes at all times – and they should actually do this during the implementation phase. Any member of management who is not willing to take on responsibility for the change objectives and measures is not suited to their management task and should bear the personal consequences. The effect on employee motivation and thus on the success of the change is just too great for the company to be able to afford to keep such a weakness on board. If the individual manager doesn’t take action then top management may have to take personnel decisions so as not to endanger the achievement of the objectives.

### **The benefits for change management**

Successful organizational change is closely related to the company’s ability to link the content and behavioral aspects of the change process. For example, attempts to maintain the status quo, not-invented-here attitudes, antiquated structures, too much risk-aversion and incorrect motivation systems must be avoided by the responsible management as far as is possible. Involving the employees and a transparent communication policy not only ensure that the measures are carried by the employees during the implementation phase but also that the employees become actively involved in the change process and make valuable contributions to the achievement of the targets. The resistance typical for transformation processes, which hinders or even prevents the implementation of the planned measures, can also be reduced in this way. The management task is thus to take advantage of the opportunities provided by change – starting with finding the right words in information events through maintaining an open ear for the worries and fears of the employees and on to the bravery to make and implement unpopular decisions as required. It is particularly important that the management always behave in a consistent way and that they ‘walk the talk’!

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