

SUSTAINING CHANGE in ORGANIZATIONS

Theoretical Approaches to Change and Transformation 2

Overview

- This chapter classifies change in organizations according to how it emerges, its magnitude, focus and level.
- Change can emerge through a planned approach. *Planned* change is deliberate, a product of conscious reasoning and action. In contrast, change sometimes unfolds in an apparently spontaneous and unplanned way (Lewin, 1947). This type of change is known as *emergent change* (Burnes, 2009a).
- The magnitude or scale of change can range along a continuum from small-scale discrete change (incremental) to a large-scale transformation. Incremental change aims to provide improvements. In contrast to incremental change, transformational change aims to redefine an organization's strategic direction, form, cultural assumptions and identity. This kind of change is also referred to as 'strategic', 'radical' or 'revolutionary' (Kanter et al., 1992; Weick and Quinn, 1999).
- An alternative position to viewing change as either incremental or transformational is punctuated equilibrium. This theory posits that organizations evolve through periods of incremental change, and periods of transformation, in which the deep structures of the organization are fundamentally altered (Gersick, 1991).
- The focus of organizational change can be *strategic* or *operational*. Pettigrew et al. (1992) distinguish between operational change as small-scale and relatively unimportant and strategic change as major and important structural changes.
- The level of the change process can be at an *individual, group, team* or *organization* level. The targets for this dimension of change tend to be behaviour, skills, knowledge and attitudes. Although the three levels are related, changes affecting each require different strategies and tactics.

The aim of this chapter is to provide an overview of the theories of change and to consider the contemporary debates that populate the literature on the nature of change. We do this by examining some of the theories relating to change and exploring the different types of change. Our aim is not to provide an in-depth analysis as this has been done effectively elsewhere (for example, Hayes, 2010). The chapter considers questions such as: How can change in organizations be classified? How does change come about? What should the pace of change be – will it be easier if it is introduced quickly or over a longer period of time? And should change be driven by processes or people? We begin by defining what is meant by ‘organizations’, followed by an examination of the nature of change in organizations. The chapter explores next how change emerges, its magnitude, focus and level. The chapter concludes by examining whether change should be process- or people-driven.

Learning objectives

By the end of this chapter you will be able to:

- Appreciate the complex nature of change in organizations
- Critically evaluate the theoretical perspectives relating to the types of change that organizations may experience
- Identify what kind of change is needed as well as the magnitude, focus, level, pace and sequencing of the change

Organizations

Organizations pervade our physical, social, cultural, political and economic environment, offering jobs, providing goods and services, and contributing to the existence of whole communities. The products and services of organizations such as Google, Apple, Amazon, Starbucks and Toyota shape our existence and our daily experience.

Definition

An organization can be defined as ‘a social arrangement for achieving controlled performance in pursuit of collective goals’ (Buchanan and Huczynski, 2010: 8). This definition emphasizes that it is the preoccupation with performance and the need for control which distinguishes organizations from other social arrangements.

Gareth Morgan in his book *Images of Organizations* (2006) outlines eight metaphors, which invite the reader to view organizations through the following lenses:

- Machines
- Biological organisms
- Human brains
- Cultures or subcultures
- Political systems
- Psychic prisons

- Systems of change and transformation
- Instruments of domination

Morgan presents these metaphors as ways of thinking about organizations, as approaches to the diagnostic reading and critical evaluation of organizational phenomena. For instance, the metaphor of 'organization as machine' suggests an analysis of its component elements and their interaction. The metaphor of the 'psychic prison' suggests an analysis of how an organization constrains and shapes the thinking and intellectual growth of its members. Morgan suggests how, by using these different metaphors to understand their complex characteristics, it becomes possible to identify novel ways in which to design, change and manage organizations.

The nature of change

The idea that organizations are constantly engaged in change to a greater or lesser degree is not a new phenomenon. In 1947 Kurt Lewin postulated that life is never without change; rather there are merely differences in the amount and type of change that exist. Although change in organizations may be a constant, the nature of it is not always the same, as change comes in a variety of shapes and sizes and can be proactive or reactive depending on contextual factors.

Proactive and reactive change

Organizational change is triggered by a proactive or reactive response to something in the external environment or internally in the organization. *Proactive* change is initiated by leaders in an organization in response to a perceived opportunity as a result of their assessment or recognition of external or internal factors. For example, Howard Schultz perceived the opportunity to create an American version of the classic Italian coffee bar and transformed Starbucks in order to achieve that vision. Similarly, Madhavan Nayar, founder of Infogix, perceived the need for a new paradigm of information integrity and took steps to position his company for this emerging opportunity. Proactive change is an opportunistic change, in which the organization needs to create strategic advantage because of something present or anticipated internally or externally.

Reactive change is a response to factors in the external environment or within the organization that have already occurred rather than those that are anticipated in the future. The financial sub-prime crisis starting in 2007 and the Euro-crisis of 2010 created reactive change in the financial sector, such as the takeover of RBS by the UK government. Reactive change is something that has to happen to deal with an unexpected external or internal trigger.

A typology of change

Change in organizations can be classified according to it how it happens, its magnitude, focus and level, which form a typology of change as is illustrated in Figure 2.1. We will discuss each of these factors next.

<p>How it happens</p> <ul style="list-style-type: none"> - Planned - Emergent - Contingency 	<p>Magnitude</p> <ul style="list-style-type: none"> - Incremental - Transformational - Punctuated equilibrium
<p>Focus</p> <ul style="list-style-type: none"> - Strategic - Operational 	<p>Level</p> <ul style="list-style-type: none"> - Individual - Team - Organization

Figure 2.1 Typology of change

How change happens

There are different approaches to how change emerges and evolves over time. Sometimes change is deliberate, a product of conscious reasoning and action. This type of change is called *planned change*. In contrast, change sometimes unfolds in an apparently spontaneous and unplanned way. This type of change is known as *emergent change*.

Planned change

Planned change is an intentional intervention for bringing about change to an organization and is best characterized as deliberate, purposeful and systematic (Lippitt et al., 1958; Tenkasi and Chesmore, 2003). The traditional aim of planned change has tended to be continuous improvement and to focus on changing parts of an organization, rather than attempting to change the whole organization at once. The process of planned change is rational and linear, with leaders and managers the pivotal instigators of the change. Therefore it is usually change driven from the top (Carnall, 2007; Cummings and Worley, 2009; Kanter et al., 1992). The process of planned change may vary in the number of steps proposed and the order in which they should be taken. However, what reunites advocates of this approach is that change can be achieved as long as the correct steps are taken. For instance, Kotter (1996) maintains that although change is messy and full of surprises, his eight-step model will produce a satisfying result as long as the steps are followed. Similarly, Kanter and colleagues (1992) indicate that with their Ten Commandments for change, it is an unwise manager who chooses to ignore one of the steps. Such proponents of planned change argue in favour of change occurring through carefully phased or sequenced processes (we explore **linear models** further in Chapter 7). One of the classic models of planned change is that developed by Kurt Lewin.

Kurt Lewin's model of planned change

The fundamental assumptions underlying planned change are derived originally from Kurt Lewin (1947). Lewin's model is a key contribution to organizational change; indeed, if you scratch any account of creating and managing change, Lewin's model will not be far below the surface (Hendry, 1996). The model proposes three phases: unfreezing, moving and refreezing.

- *Unfreezing*. Lewin believed that the stability of human behaviour was based on a quasi-stationary equilibrium supported by a complex field of driving and restraining forces, hence his development of the **force field analysis**, which we discuss in Chapter 6. He argued that the equilibrium (the forces of inertia) needs to be destabilized (unfrozen) before old behaviour can be discarded (unlearned) and new behaviour successfully adopted.
- *Moving*. This phase is about making the change happen.
- *Refreezing*. The final step in the model seeks to stabilize the group at a new quasi-stationary equilibrium in order to ensure that the new behaviours are relatively safe from regression.

Although there is evidence of the success of Lewin's approach in achieving behavioural change (Burnes, 2009b; Woodman et al., 2008), it is important to recognize that this approach is not meant to be used in isolation. For as Bernard Burnes (2013) points out, it needs to be recognized that Lewin intended his model to be used with the three other elements that comprise planned change – **field theory**, **group dynamics** and **action research**. Lewin saw the four as forming an integrated approach to analysing, understanding and bringing about change.

Although widely adopted and adapted, the idea that organizations are frozen, much less refrozen, has been heavily criticized. The main criticisms tend to focus on the following:

1. First, it is open to question as to whether organizations are as amenable to control as a block of ice (Grey, 2003). Dawson (2003a) and Kanter, Stein and Jick (1992) argue that the notion of refreezing is not relevant for organizations operating in turbulent times. They propose that organizations need to be fluid and adaptable and the last thing they need is to be frozen into some given way of functioning.
2. Second, Lewin's model is felt to ignore the human factor, treating individuals as automatons rather than active participants in the change process (Giddens, 1981). The model is also criticized for representing a singular, partial story told by senior management and consequently ignoring the many views of other individuals in the organization (Buchanan, 2003).
3. Third, Lewin's model is very much rooted in the North American assumptions of change. Marshak (1993) compares the assumptions of the model with assumptions behind an Asian model. In the Lewin model, change is linear, progressive, managed by people intent on achieving goals. In the Asian model, change is cyclical, processional, journey orientated, associated with equilibrium, and managed in a way that is designed to create universal harmony. So even if Lewin's theory is appropriate to North American organizations, it may not be appropriate to organizational change in other countries and cultures.

In summary, the critics of Lewin have concerns about how his model views organizations and individuals as well as the cultural assumptions embedded in it, which may limit its use across geographical and cultural boundaries.

Prochaska and DiClemente's change theory

In contrast to Lewin's linear model, Prochaska and DiClemente offer a cyclical model of change. The initial purpose of their model was to show where a patient was in their journey to change certain health behaviours. Prochaska et al. (1993) found that people go through a series of stages when change occurs. These are precontemplation, contemplation, preparation, action and maintenance. Progression through the stages is expressed as cyclical. This is because initially many individuals relapse in their efforts and do not successfully maintain the changes the first time around. Prochaska and DiClemente therefore created a spiral model to represent the various stages of their theory.

The first aspect of the model shows the movement of intentional change from precontemplation to contemplation of the issue. *Precontemplation* exists when an individual is unaware of the problems, or fails to acknowledge them, without engaging in any change process activities. Individuals in this stage do not want to change their behaviour and may insist that their behaviour is normal. *Contemplation* occurs when the individual becomes conscious of the issue. Individuals in this stage are thinking about changing their behaviour, but they are not ready to commit to the change process. The next stage of the model is preparation. *Preparation* is when the individual is ready to change their behaviour and plans to do so. The *action* stage follows next and is characterized by an increase in coping with behavioural change as the individual begins to engage in change activities. *Maintenance* is the last stage, where actions to reinforce the change are taken along with establishing the new behavioural change as part of the individual's lifestyle and norms. In this spiral model, individuals have the ability to exit at any time if they decide not to change. The model also takes into account a behavioural *relapse* or a return to the previous existing behaviour. In the case of a relapse an individual can revisit the contemplation stage and prepare for action in the future. The spiral pattern of the model suggests that many individuals learn from their relapses instead of circling around the issue.

So models of curvilinear or cyclic change assume that change in a certain direction creates the conditions for change in another (perhaps even the opposite) direction, whereas, linear models of change assume that change in a certain direction induces further change in the same direction.

Activity

Identify a change that you have personally experienced. Consider how the stages of the Prochaska and DiClemente model are applicable to the change?

Criticisms of planned change

Planned linear models can provide logical and sequential prescriptions for the processes of change. Such models map out the processes from the first recognition of the

need or desirability for change through to the practicalities of implementation (Price, 2009). However, planned linear conceptions of change are increasingly being challenged. Buchanan and Storey (1997: 127) argue that those who advocate planned change are attempting to impose an ‘order and linear sequence on processes that are in reality messy and untidy, and which unfold in an iterative fashion with much back-breaking’. The difficulty, according to Paton and McCalman (2008), is that most organizations view the concept of change as a highly programmed process which takes as its starting point the problem that needs to be rectified, then breaks it down into constituent parts, analyses possible alternatives, selects the preferred solution and applies this relentlessly.

The criticisms of the planned approach to change can be summed up as follows:

- The emphasis of the planned approach on small-scale and incremental change is not applicable to situations that require rapid and transformational change (Burnes, 2009a; Senior, 2002). Change is a complex and dynamic process that should not be solidified or treated as a series of linear events (Dawson, 1994). The planned change approach has, according to Vince and Broussine (1996), an over-emphasis on the rational and consequently does not take into account the complexity, ambiguity and paradox acknowledged to be an integral part of an organization.
- The planned approach is based on the assumption that organizations operate under constant conditions and that they can move in a pre-planned manner from one stable state to another (Bamford and Forrester, 2003). These assumptions are, however, questioned by those who argue that the current fast-changing environment increasingly weakens this theory and that organizational change is more an open-ended and continuous process than a set of pre-identified discrete and self-contained events (Burnes, 2009a).
- The approach of planned change ignores situations where more directive approaches are required. This may be a situation of crisis that requires major and rapid change (Burnes, 2009a; Kanter et al., 1992), such as the political uprisings in the Middle East in countries such as Egypt and Turkey in 2013.

Some critics of the planned approach prefer to see change as an emergent, ongoing process, which cannot be achieved in a highly planned and programmed way.

Emergent change

The ‘emergent’ approach to change has been defined by some writers as change ‘as-it-happens’ (for example, Burnes, 2009a). Pettigrew and Whipp (1991: 108), for example, state that ‘the management of strategic and operational change for competitive success is an uncertain and emergent process’. Burnes (2009) points out that there are two common beliefs underlying what he terms as the ‘emergent’ approach. First, change is viewed as an ongoing emergent process with no finite end point. Second, change emerges from the actions and decisions of people in organizations; for example, as the outcome of conflicts between different vested interest groups, in an attempt to adjust the organization to changes in the external environment, or through attempts to construct and implement a new social reality on the organization. As such, change is viewed as a continuous process and, consequently, attempts to impose a linear sequence of planned actions on

what are untidy processes that 'unfold in an iterative fashion with much backtracking and omission' (Buchanan and Storey, 1997: 127) are heavily criticized.

The 'emergent' approach starts from the assumption that change is not a linear process or a one-off isolated event but a continuous, open-ended, cumulative and unpredictable process of aligning and re-aligning an organization to its changing environment (Orlikowski, 1996). The rationale for this approach is that the nature of change is evolving and unpredictable, as Karl Weick says:

Emergent change consists of ongoing accommodations, adaptations, and alterations that produce fundamental change without a priori intentions to do so. Emergent change occurs when people reaccomplish routines and when they deal with contingencies, breakdowns, and opportunities in everyday work. Much of this change goes unnoticed because small alterations are lumped together as noise in otherwise uneventful inertia. (2000: 237)

This is why the advocates of emergent change argue that it needs to be viewed holistically and contextually. Most importantly, proponents of emergent change view organizations as power systems and consequently see change as a political process whereby different groups in an organization struggle to protect or enhance their own interests. Consequently, Dawson states that:

In managing these transitions practitioners need to be aware of: the importance of power politics within organizations as a determinant of the speed, direction and character of change; the enabling and constraining properties of the type and scale of change being introduced; and the influence of the internal and external context on the pathways and outcomes of change on new work arrangements. (1994: 180–2)

This view is supported by Pugh, who says that:

Organizations are political and occupational systems as well as rational resource allocation ones. Every reaction to a change proposal must be interpreted not only in terms of rational arguments of what is best for the firm ... The reaction must also be understood in relation to the occupational system ... and the political system (how will it affect the power, status, prestige of the group). (1993: 109)

Advocates of emergent change emphasize that it is the uncertainty of the external and internal environment that makes it more pertinent than the planned approach (Bamford and Forrester, 2003). According to Dawson (2003), the essential unforeseeable character of change means that the process cannot be predicted and that **outcomes** are often understood only in retrospect. To cope with uncertainty it is argued that organizations need to become open-learning systems where strategy development and change emerge from the way a company as a whole acquires, interprets and processes information about the environment (Dunphy and Stace, 1993). Burnes says:

[This approach stresses an] extensive and in-depth understanding of strategy, structure, systems, people, style and culture, and how these can function either as sources of inertia that can block change, or alternatively, as levers to encourage an effective change process. Successful change is less dependent on detailed plans and projections than on reaching an understanding of the complexity of the issues concerned and identifying the range of available options. (1996: 13-14)

To outline an emergent and improvisational model for managing the introduction of change into organizations, Orlikowski and Hofman use the metaphor of a jazz band:

While members of a jazz band, unlike members of a symphony orchestra, do not decide in advance exactly what notes each is going to play, they do decide ahead of time what musical composition will form the basis of their performance. Once the performance begins, each player is free to explore and innovate, departing from the original composition. Yet the performance works because all members are playing within the same rhythmic structure and have a shared understanding of the roles of this musical genre. (1997: 13)

This model assumes that change occurs through the evolution of an iterative series of steps that produces outcomes that management could not have predicted at the start. In this model, managers become nurturers and facilitators of the change process. Orlikowski and Hofman (1997), however, acknowledge limitations to their theory:

- It is most appropriate to open-ended, customizable technologies or for complex, unprecedented change.
- Some people are incapable of playing jazz. In other words, not everyone will have the skills or the inclination to participate in such an unplanned, open-ended approach to change.
- The model downplays the impact of differing interests and politics associated with change. People may be capable of 'playing jazz' but not willing to do so because it is not in their interests to engage in a particular change programme.

The emergent theory is criticized for a number of reasons. Bamford and Forrester (2003) say that the approach lacks coherence and creates confusion and uncertainty in an organization due to a lack of clear objectives. This uncertainty can be unnerving to people in an organization. The theory is also criticized by Dawson (1994) as consisting of a rather disparate group of models and approaches. The applicability and validity of the emergent approach depends on whether you believe that all organizations operate in dynamic and unpredictable environments, to which they constantly have to adapt.

Contingency model of change

According to Burnes (2009), advocates of the emergent approach tend to adopt a contingency perspective, although they do not always admit it. The contingency approach is founded on the theory that the structure and performance of an organization are dependent on the situational variables that it faces. Arguing that the complex nature of environmental conditions mitigates against the creation of a unitary model of change, the contingency school of thought proposes that 'managers and consultants need a model of change that is essentially a situational or contingency model' that indicates how to vary change strategies to achieve 'optimum fit' with the changing environment (Dunphy and Stace, 1993: 905).

Contingency theories of change share with planned change the assumption that change can be directed through a series of steps. However, they part company with the step approach in arguing that the nature of this direction depends on, or is contingent on, a range of organizational factors such as the scale of the change, the

urgency of the change and receptivity to the change. There will therefore be different types of steps that managers will need to take, depending on the confluence of various factors.

The strength of the contingency theory is that it explains organizational change from a behavioural viewpoint where managers make decisions that account for specific circumstances, focusing on those that are the most directly relevant, and intervening with the most appropriate actions. The best course of action is the one that is fundamentally situational, matched to the needs of the circumstances. The contingency approach proposes no formulas or guiding principles for organizational change; instead the focus is on achieving alignment and a good fit to ensure stability and control.

Critics of the contingency approach argue that the theory assumes that organizations and managers do not have any significant influence and choice over situational variables and structure. Instead they argue that an organization does not necessarily have to adapt to the external environment. Burnes (1996) advocates an approach of choice, suggesting that there is certainly evidence that organizations wishing to maintain or promote a particular managerial style can choose to influence situational variables to achieve this. So rather than having little choice, rather than being forced to change their internal practices to fit in with external variables, organizations can exercise some choice over these issues (By, 2005). Despite such criticisms, the flexible nature of the contingency perspective means that change can be fast or slow, small or large, loosely or tightly controlled, driven by internal or external triggers, and appropriate to varying levels of uncertainty.

The processual perspective

The processual approach to change is often associated with emergent change. Patrick Dawson (2005), however, argues that this is a misrepresentation and that the emergent approach differs in a number of important ways from the processual perspective. The two main tenets that align are: first, that an understanding of power and politics is central to an understanding of the processes of organizational change; and secondly that small-scale incremental changes can over time lead to a major transformation in an organization. However, according to Dawson (2005), the claim that this approach equates with a contingency perspective (Burnes, 2005) in advocating that planned change is inappropriate in an uncertain environment misrepresents this perspective.

The processual approach does not view the non-linear dynamics of change as only being in evidence in turbulent environments, nor does it reject the notion of planning. The approach recognizes that there are often critical junctures that necessitate radical change – as illustrated by the Enron debacle – and that ongoing processes of change occur within organizations operating in relatively stable environments as well as those operating in dynamic business contexts (see Dawson, 2003b). The increasing number and rate of organizational change initiatives has drawn attention to the inadequacy of a one-best-way approach and the need for a broader understanding of the complex untidy and messy nature of change. But in so doing, the processual approach is not making a statement against planning for change, rather it is pointing out that change is unpredictable and therefore that there will be a need to accommodate and adapt to the unexpected, the unforeseen twists and turns, the omissions and revisions that are all part of managing the process of change over time. In seeking to make sense

of the way that change unfolds, the processual approach also provides insight into processes of continuity, as well as the temporal reshaping of change (Dawson, 2005).

Dawson (2003) has developed a processual approach that consists of three main elements, namely politics, context and substance of change. The politics of change is taken to refer to political activities inside and outside the organization (see the discussion of politics and change in Chapter 12). The contextual dimension refers to the past and present external and internal operating environments, as well as the influence of future projections and expectations on current operating practices. While the third area – substance of change – has four dimensions: the scale and scope of the change; the defining characteristics of change; the timeframe of change; and the perceived centrality of change. The processual perspective developed by Dawson has some similarities to the framework proposed by Andrew Pettigrew (1985).

In his book *The Awakening Giant: Continuity and Change in ICI*, Pettigrew (1985) demonstrated the limitations of the theories that view change either as a single event or as a discrete series of episodes that can be decontextualized. In a comparative analysis of five cases of strategic change, the study illustrates how change as a continuous incremental process (evolutionary) can be interspersed with radical periods of change (revolutionary). These major change initiatives are associated with major changes in business market conditions, such as world economic recessions, in which managers develop active strategies that build on these circumstances in order to legitimize and justify the need for change. For Pettigrew, 'change and continuity, process and structure, are inextricably linked' (1985: 1). He argues that the intention is not simply to substitute a rational approach with a political process perspective, but 'to explore some of the conditions in which mixtures of these occur' (1985: 24).

In studying change, the processual perspective draws our attention to the temporal character of change (the before, during and after of change) and the need to examine the way this process is shaped over time. The elements of context, substance and politics are advocated as providing a useful analytical framework. Although, as Dawson (2005) points out, it is recognized that in practice these elements often overlap and interlock, they ensure that the importance of choice and human experience within the political context of organizational life is recognized.

Discussion Questions

- 1 Compare and contrast the main approaches to change discussed above. What are the advantages and disadvantages of each?
- 2 What are the implications of each of the approaches for managing change?

Magnitude of change

The second dimension of the organizational change typology is the magnitude or scale of change. The scale of change can range along a continuum from small-scale discrete change (incremental) to more 'radical' large-scale transformation. According

to Burke (2002), nearly 95% of organizational changes are incremental. Incremental change aims to provide improvements. It is change that is constant, evolving and cumulative (Weick and Quinn, 1999). A key feature of this type of change is that it builds on what has already been accomplished and has the flavour of continuous improvement (known by the Japanese as *kaizen*). Incremental change tends to be quick and easy to implement and there are usually quick returns. The risk of failure tends to be low but so are the returns in terms of benefits.

Incremental changes are the outcome of the everyday process of management; they tend to occur when individual parts of an organization deal increasingly and separately with one problem and one objective at a time (Burnes, 2009a), such as the updating of processes, policies, methods and procedures (Hayes, 2010). Examples of incremental change include changing a product formula in such a way that customers would notice no difference (for example, Heinz changes the recipes of one of its soups by adding more herbs or less sugar); outsourcing a function, such as payroll (providing it does not lead to roles being made redundant); changing the format, but not the content, of written documents, such as policies, procedures or job descriptions.

Where change is incremental

The film *Groundhog Day* portrays a situation where change is incremental. In the film, Bill Murray plays a TV weatherman trudging off to remote Punxsutawney, Pennsylvania, to cover the annual 2nd February Festival (Groundhog Day). The next morning he awakens to discover that it is 2nd February again. He tries to break the pattern, through pranks, subversion and even eventually suicide attempts, but nothing changes. So Murray's trapped weatherman embraces his fate. As the weeks tick by he learns something new about the characters around him and the town and discovers how he can make the town a better place. *Groundhog Day* holds a deep moral about the importance of meaningful relationships and self-discovery. But perhaps a more important lesson is how the film – in highlighting the slow and deliberate nature of time and space – serves as an exaggerated example of an environment where change is incremental, predictable and certain.

According to Nadler and Tushman (1995), incremental changes are not necessarily small changes. They can be large in terms of the resources needed and their impact on people. For example:

- Adapting reward systems to the changing labour market conditions
- Enhancing IT systems
- Introducing a new type of commission on sales for how sales people will be rewarded
- Developing a new set of products or services for an emerging market on the basis of demographic shifts
- Implementing a new leadership programme for the top 150 senior managers in a company
- Modifying the structure of a specific department

Incremental changes can lead to major improvements and significant changes. Think of what has happened in discount retailing over the last ten years. Walmart's cumulative impact has been extraordinary, but the retailer developed that advantage by deepening existing customer and supplier relationships. In the financial sector, the example of Westpac Bank illustrates an organization that has effectively applied incremental change. Westpac is an Australia-based bank that offers general, commercial and industrial banking services as well as insurance and financial services. It has been rated the No. 1 performing bank on the Dow Jones Sustainability Index. Westpac has used incremental change strategies to build its capabilities and reputation in corporate sustainability and responsibility. This approach was initially seen as an effective way to mitigate risk and repair consumer confidence in banks, and Westpac's approach has since grown into a comprehensive strategic programme for achieving corporate sustainability. The bank's success at pursuing its incremental sustainability change strategy can be attributed to a variety of factors including:

- The development and incorporation of a values-and-goals statement that also elaborates on how the process of change should be managed and the integration of this into the mission and strategy of the organization
- The creation of a culture of constant **innovation**, including corporate sustainability and responsibility initiatives, such as the development of green products and a reduction of the organization's greenhouse gas emission
- The development of a workforce that takes initiatives both to shape the emerging business environment and to adapt rapidly and responsively to changing market, social and ecological conditions

The case of Westpac illustrates how incremental change can be used effectively. Incremental change therefore tends to be continuous and ongoing and for the most part impacts on the day-to-day operational processes of an organization.

The case of the John Lewis Partnership (below) illustrates that incremental change is about doing things better through a process of continuous tinkering, adaptation and modification. It is called 'logical incremental', in which change is implemented in small steps with lessons from each phase informing the next.

CASE STUDY

The John Lewis Partnership

The John Lewis Partnership – a chain of department stores – is known for its quality of service and value for money, including its policy of being 'never knowingly undersold'. Unusually, a trust owns the company on behalf of all employees, known as partners, who exercise a high degree of responsibility in managing the organization. In 2014, the partnership had 85,500 permanent staff, 40 John Lewis shops, 300 Waitrose supermarkets, an online and catalogue business, a production unit and a farm. The business had annual gross sales of over £9.5 billion. John Lewis has expanded mainly organically for six decades. In recent years, the challenge has been to maintain growth while confronting several developments: the advent of online shopping; keeping the 'not knowingly undersold' promise; intense competition from

other retailers, including food retailers diversifying their offerings; and the general high street recession. John Lewis's success depends on innovation. It calls its approach 'logical incremental', in which change is implemented in small steps, with lessons from each phase informing the next. The partners play a key role by providing feedback and insights into consumers' changing needs.

In their article about the John Lewis Partnership, Nicholas O'Regan and Abby Ghobadian (2012) discuss the logical incremental strategy which the partnership employs. The strategy is applied in several areas:

- *Responding to customers' requirements.* This involves frequent renewal of a wide variety of products with a broad range of pricing. In 2012, Waitrose carried 4,600 new products, and John Lewis about 30 new brands. The supermarket's new own-labels included 'Heston from Waitrose' in a tie-up with chef Heston Blumenthal.
- *New store formats.* John Lewis's new 'At Home' is a smaller version of the classic format, being typically a third of the size, carrying two-thirds the amount of stock and for one-quarter of the cost (about £10m in 2009). The flexible format allows all the stock to be showcased in half the usual space and customers can use in-store technology to make purchases. Waitrose opened high street convenience stores – smaller, and often with longer opening hours – called Little Waitrose, in 2009. There are 30 classic John Lewis stores, nine At Home outlets, 255 Waitrose supermarkets, 35 Little Waitroses and 84,700 partners.
- *International expansion.* One of John Lewis's most remarkable moves has been international growth. With South Korean department store Shinsegae, it trialled a shop within a store in 2012, and plans to repeat this approach. A planned shop at London's Heathrow airport is intended to boost its international profile. Waitrose ventured overseas in 2008 through a licensing agreement with Spinneys of Dubai.
- *Online retailing.* From the start, the company aimed to extend its service ethos to online retailing, which meant ease of use, and reliable and speedy collection and return of items. The online platform is updated often to keep in step with new technology and customer expectations: in 2012, John Lewis spent £40m on it. Collection of items ordered online has been made progressively more convenient. Pick-up points were extended to Waitrose, and now John Lewis has teamed up with a service that will allow collection in the UK from more than 5,000 convenience stores. Online is helping the international push, with John Lewis online now serving 33 countries. Online sales rose by £278m to £958m and profits by 37.2% to £217m in the last financial year.

Adapted from O'Regan and Ghobadian (2012).

Discussion Questions

- 1 What are the benefits of the logical incremental approach to change used by John Lewis?
- 2 How might the incremental approach to change sustain the company's competitive advantage?
- 3 What lessons can be learnt from using an incremental approach to change?

Transformational change

The turbulent nature that characterizes the environmental context of the twenty-first century means that the slow, plodding process of incremental change is not sufficient

for all organizations. Instead they rely on transformational change, which aims to redefine an organization's strategic direction, form, cultural assumptions and identity. This kind of change is also referred to as 'strategic', 'radical' or 'revolutionary' (Kanter et al., 1992; Weick and Quinn, 1999). For some organizations this is the only way for change to happen, for as Gersick (1991) points out, fundamental change cannot be accomplished piecemeal, gradually or comfortably. Transformational change can involve a paradigm shift and completely new behaviours not only in one company but also across an entire sector or even country – it means doing things differently rather than doing things better. It might even mean doing different things, such as when Amazon moved from being an e-commerce bookseller, to a content publisher, to a device producer. Similarly, Verizon – the technology communications company – experienced a transformational change when it invested billions in fibre optics to speed up landlines and partnered with Google to deploy Android smartphones, which required substantial change in the company's practices. An example of transformational change that has affected not only an organization or sector, but an entire country, is the case of the Chinese company Alibaba.

CASE EXAMPLE

Alibaba

Shopping in China can be a nightmare. First there are the hazards of simply leaving home – the smog, the traffic and the crowds. Then shoppers have two options: go to a modern shopping mall, where they can buy Western branded goods, made in China, for twice what they would pay for them in the West; or try their luck at the markets, where sellers haggle aggressively, overcharging everyone they can – and they never know if what they are buying is real or fake. What if someone could take this unpleasant experience and make it convenient and quick? This is what Jack Ma did, almost single-handedly, creating an e-commerce juggernaut known as Alibaba. The venture has taken the nightmare of shopping in China and transformed it into a painless, virtual experience, where sellers compete with each other and are rated by shoppers for quality and delivery. What Jack Ma did was to transfer the whole model online. Of course, it has not all been smooth sailing. Taobao – Alibaba's consumer-to-consumer sales portal, which is similar to eBay – has had to crack down on sellers after it gained a reputation for selling counterfeit goods.

Unlike Amazon, Alibaba has no inventory or logistics, and does not sell anything itself, aside from space on its servers and advertising for its search engine. Alibaba has been successful largely because it has leapfrogged offline shopping. Delivery companies run cheap, same-day delivery, and sellers compete in price wars with razor-thin margins, sometimes seemingly content to lose money in exchange for market share. Taobao and Tmall (Alibaba's websites) boast 80% and just over 50% cent of their respective markets.

The first competitor Alibaba saw off was eBay, which dominated China's e-commerce market but faltered when it switched traffic to US servers, resulting in slow performance. Users ditched eBay in droves, leading Ma to quip: 'eBay may be a shark in the ocean, but I am a crocodile in the Yangtze. If we fight in the ocean, we lose, but if we fight in the river, we win.'

Adapted from 'Ma's bazaar', Boldness in Business, *Financial Times*, supplement, March 24 2013.

Transformational change impacts on the deep structure of an organization. The key areas that represent an organization's deep structure are culture, strategy, structure, power distribution and the control systems (Tushman and Romanelli, 1985). Xerox is an example of a company which has gone through transformations that have affected its deep structure. When Anne Mulcahy took over Xerox in 2001, with the company in dire straits and \$7.1 billion in debt, she implemented transformational change. Mulcahy restructured the company, downsized from 91,000 to 58,000 employees and made a strategic shift away from the black-and-white printer market. As a result of the transformational change, net earnings increased over 5 years to \$1.2 billion.

Such transformational change is often triggered by external factors (see Chapter 5 for a discussion on the drivers for change and transformation). For example, technology innovations, such as Cloud computing, are driving significant change in companies that traditionally own their software and hardware and keep them on the premises in data centres and other specialized facilities. With Cloud computing, companies lease their digital assets, and their employees do not know the location of the computers, data centres, applications and databases that they are using. These resources are 'in the cloud' somewhere. Cloud computing is a sea change – a deep and permanent shift in how computing power is generated and consumed. According to Andrew McFee (2011), Cloud computing is as inevitable and irreversible as the shift from steam to electric power in manufacturing. And just as that transition brought many benefits and opened up new possibilities to factory owners, so too will Cloud confer advantages on its adopters. Another transformational change is 3D printing, also known as additive manufacturing. For instance, Nike and Adidas are embracing 3D printing to speed up their shoemaking process. They are using technology to make multiple prototype versions at a previously impossible speed. So technological advances are being exploited to drive transformational change.

An example of an industry that has implemented transformational change is the travel sector. The travel industry has always been and always will be a huge industry even though it has seen a lot of changes due to the internet. In the past, the only easy way to book a vacation or a business trip was through a travel agent. This has all changed, with so many different websites available that an individual can easily book a trip within a matter of minutes, and that includes booking everything – flight, accommodation, car rental and much more can all be done with a few clicks and a credit card. Travelling has been transformed in other ways, for example with technology such as iPhones and iPads it is easy to check on flight times and delays.

Such transformational changes vary in their magnitude. Flamholtz and Randle (2011) distinguish three types of transformational change:

- *Type 1* transformation occurs when an organization moves from an entrepreneurial to a professional management structure, for example the transformation of Apple Computers from an entrepreneurial company under its founder, Stephen Jobs, to a larger professional company under John Sculley.
- *Type 2* transformation involves the revitalization of an already established company. The organization remains in the same market but focuses on how to rebuild itself in order to operate more effectively. An example of this is Compaq Computers. In the 1990s this company faced a changing environment, including

changes in customer needs. The company re-engineered its operational systems, downsized, lowered its purchase and production costs, and placed more emphasis on teamwork.

- *Type 3* transformation involves change in which the organization fundamentally changes the business in which it is involved, such as the move from print to digital books, which is significantly transforming the publishing industry. The case of SECURICO – one of Zimbabwe’s largest security companies – illustrates type 3 transformation.

CASE STUDY

SECURICO

The Harare-based firm SECURICO is a market leader in the provision of bespoke guarding services and electronic security solutions. In just over 15 years of doing business, SECURICO has risen to a \$13m (revenues) company with over 3,400 employees – 900 of whom are women. In 2013 it was the winner of the prestigious Legatum Africa Awards for Entrepreneurship.

The company founder and managing director is Divine Ndhlukula, a Zimbabwean national who was keen to start her own business and saw an opportunity in the security services sector. The opportunity was prompted by what Divine had noted as a gap in the market for a quality-oriented security services provider. Divine identified two distinct groups of security organizations that existed at that time: the first group was comprised of the long-established and larger companies – there were about five of them. They had the market to themselves and did not see the need to meet customers’ expectations as they could simply rotate the business among themselves in a cartel-like arrangement. The second group was the small emerging or submerging companies that did not have the resource capacity to service big corporations and multinationals. With next to nothing in capital and no security background, just armed with passion and determination to succeed in a predominantly male area, Divine founded SECURICO in 1998 in her small house in Harare, with four employees.

In 2008, at the height of the Zimbabwean economic crisis, SECURICO acquired an electronic security systems company – MULTI-LINK (PVT) LTD – as a going concern. It was transformed into a high-tech installer specializing in the latest innovative and cutting-edge electronic security solutions. The company has since established partnerships with suppliers in South Africa, China, Hong Kong and India. It has grown into the second largest company in Zimbabwe in the provision of electronic security systems such as CCTV, access control systems, alarms, remote site monitoring and response services, and electric fences.

SECURICO has set a pace that has transformed the private security business in such a way that its brand has become the flagship. In the past the security industry in Zimbabwe was associated with people who had failed to make it into other careers. This resulted in an industry where employees had low self-esteem, which in turn affected the quality of services that were provided. SECURICO embarked on an initiative to shift this paradigm. This was achieved by a conceptual framework that Divine came up with and implemented in order to change that mindset. The security industry has since been transformed to one that is respectable, professional and one in which people are eager to build their careers.

Adapted from ‘Africa’s most successful women: Divine Ndhlukula’, www.forbes.com (accessed June 2014)

Activity

- 1 Consider the different types of transformation discussed above. Identify the one that is most common in the organization in which you work or an organization which you are familiar with.
- 2 Explain why the type of transformation you have chosen is the most common approach used in the organization.

Change as punctuated equilibrium

Rather than focusing on either incremental or transformational change, an alternative position that has gained widespread currency is that more attention needs to be paid to the interplay between incremental and transformational change, which is known as **punctuated equilibrium**. This occurs when change oscillates between long periods of incremental change and short bursts of transformational change that fundamentally alter an organization's strategy, systems and structures (Brown and Eisenhardt, 1997; Gersick, 1991; Tushman and Romanelli, 1985). The inspiration for this approach arose from two sources. The first was from Gould (1978: 15), who, as a natural historian with an interest in Darwin's theory of evolution, argued that the evidence pointed to 'a world punctuated with periods of mass extinction and rapid origination among long stretches of relative tranquility'. The second source was the research of Gersick (1991), who defined the punctuated equilibrium as relatively long periods of stability (equilibrium) punctuated by compact periods of qualitative, metamorphic change (revolution).

A number of case studies offer empirical support for the punctuated equilibrium theory. In a study of AT&T, General Radio, Citibank and Prime Computers, Tushman and colleagues (1986) observed that periods of equilibrium were punctuated by brief periods of intense and pervasive change that led first to the formulation of new missions and then to the initiation of new equilibrium periods. An example of this can be seen in the UK banking systems. Traditionally the banking sector has been seen as cautious and by nature more likely to implement incremental change. Over the first 85 years of the last century, shareholders in the financial sector had a very dull time indeed. That picture was transformed over the next 20 years, when the banking sector made huge excess returns. Most startling of all perhaps was the rapid transformation of the old building societies in the UK, like Northern Rock, Halifax, and Bradford & Bingley. They decided to cash in the equity that had been built up over generations and to maximize value for their new shareholders, just about all of which was lost in the financial crisis that began in 2008. As a result of the crisis, banks had to go through another transformational change – with some moving from being privately owned to being owned by the government and the public.

Those who subscribe to the punctuated equilibrium theory of change argue that transformational episodes may affect a single organization or a whole sector (Abrahamson, 2004). For example, Marks & Spencer is an organization that has been faced several times with the need to reinvent itself when, after a long period of incremental change, it has found itself with declining profits. An example of a whole sector that has been faced with the need to change its deep structure is the publishing

industry. In response to the development of iPads, Kindles and other e-readers, publishing companies have had to change how they produce as well as distribute books.

Not only do organizations and sectors go through periods of continuous incremental and discontinuous transformational change, but also, according to Nadler and Tushman (1995), this pattern of change repeats itself with some degree of regularity. Patterns will vary across sectors, for example periods of discontinuity may follow a 20-year cycle in the education sector, but a two-year cycle in the technology sector. In almost all industries, the rate of change is increasing and the time between periods of discontinuity is decreasing.

Neither incremental nor transformational change works well in isolation. Brown and Eisenhardt (1997) point out that balancing tensions between transformational and incremental change tends to keep an organization 'on the edge of order and chaos' and so helps to sustain its innovative capability. Companies such as 3M or Apple have been able to sustain their innovative capabilities over long periods of time by finding a workable combination. Such organizations systematically invest in a wide variety of low-cost experiments to continuously probe new markets and technologies. They tend to pace the rhythm of change to balance chaos and inertia by applying steady pressure on product development cycles and market launches. They also maintain speed and flexibility by calibrating the size of their business units to avoid both the chaos that is characteristic of too many small units and the inertia that is associated with most large bureaucracies.

This kind of continuous innovation can be found not only in high-tech firms but also in so-called staid academic institutions. While universities may tolerate occasional bursts of transformational change, mostly they hum along, experiencing less-pervasive streams of small changes, here and there, pursuing a process that Eric Abrahamson (2004) has labelled 'dynamic stability'.

Dynamic stability is a process of continual but relatively small change efforts that involve the reconfiguration of existing practices and business models rather than the creation of new ones – what Eric Abrahamson (2004) refers to as 'tinkering' or 'kludging' (tinkering on a bigger scale), which are different from each other in scale. Dynamic stability requires implementing the transformational and incremental changes at the right level and right pace. Abrahamson (2004) cites the example of Lou Gestner who, at IBM, American Express Travel Related Services (TRS) and RJR Nabisco knew when to implement transformational change and when it was time to rest. At TRS he tinkered constantly to prevent the company from drifting into inertia; he played with the structure, with the compensation system and with TRS product offerings. But the unthreatening nature of the interim changes allowed the company to absorb more effectively new product launches and restructures when they were implemented. Managers and leaders are therefore confronted with an ever-greater need to manage between incremental and transformational change.

Focus of change

The third dimension of the organizational change typology is the focus of change, which can be *strategic* or *operational*. Pettigrew and colleagues (1992) distinguish

between operational change as small-scale and relatively unimportant and strategic change as major and important structural changes. Similarly, De Wit and Meyer emphasize the difference between operational and strategic change in the following terms:

Strategic changes have an impact on the way the firm does business (its business systems) and on the way the organization has been configured (its organizational system). In short, while operational changes are necessary to maintain the business and organizational systems, strategic changes are directed at renewing it. (2004: 163)

Strategic change includes restructures, mergers or acquisitions (which we discuss in Chapter 9). For example, PepsiCo made a strategic change through its largest international acquisition by purchasing Wimm-Bill-Dann Foods, a Russian food company that produces milk, yogurt, fruit juices and dairy products. It became the largest food and beverage company in Russia.

Operational change involves anything affecting day-to-day operations. For instance, when Apple replaced their acrylic displays that had information about the product with interactive iPad 2 displays, this was an operational change.

De Wit and Meyer (2004) acknowledge a tendency amongst commentators to depict revolutionary or radical change as strategic and evolutionary or incremental change as operational. However, Burke (2002: 67) suggests that 'more than 95 percent of organizational changes are evolutionary'. Other writers point out how the various approaches can be used in combination. Kotter (1996), for example, sees strategic change as comprising a series of large and small projects aimed at achieving the same overall objectives but which are begun at different times, can be managed differently and can vary in nature. This is also identified by Kanter et al. (1992) when discussing what they term 'long marches' and 'bold strokes'. They argue that bold strokes often have to be followed by a whole series of smaller-scale changes over a more extended timescale (long marches) in order to embed the changes brought about by the bold stroke. Consequently, as Burnes (2009) points out, when considering strategic changes, leaders and managers should be aware that they may have different elements at different levels, and at different times.

Pettigrew and Whipp (1993) propose a model for managing strategic and operational change that involve five interrelated factors:

1. *Environmental assessment* – organizations, at all levels, need to develop the ability to collect and utilize information about their external and internal environments.
2. *Leading change* – this requires the creation of a positive climate for change, the identification of future directions and the linking together of action by people at all levels in the organization.
3. *Linking strategic and operational change* – this is a two-way process of ensuring that intentional strategic decisions lead to operational changes and that emergent operational change influences strategic decisions.
4. *Human resources as assets and liabilities* – just as the pool of knowledge, skills and attitudes possessed by an organization is crucial to its success, it can also be a threat to the organization's success if the combination is inappropriate or managed poorly.

5. *Coherence of purpose* – this concerns the need to ensure that the decisions and actions that flow from the above four factors complement and reinforce each other.

For his part, not to be outdone by Pettigrew and Whipp's five factors, Dawson puts forward 15 'major practical guidelines which can be drawn from a processual analysis of managing organizational transitions' (1994: 179). These guidelines range from the need to maintain an overview of the dynamics and long-term process of change, to the need to take a total organizational approach to managing change. Such advice from the processualist-analytical camp has been criticized as being 'too general or cursory in nature and thus difficult to apply' (Burnes, 2009a: 386). Such critics tend to favour the more prescriptive camp has providing more substantial guidance to managers. However, these too can have their limitations, as we discuss in later chapters.

Level of change

The fourth dimension of the organizational change typology is the level of the change process, which can be at an *individual, group, team, or organization* level. The targets for this dimension of change tend to be behaviour, skills, knowledge and attitudes. Although the three levels are related, changes affecting each require different strategies and tactics. In addition, this dimension of change can often act like a 'waterfall'. What this means is that, if the target of change is the organization as a whole, the change intervention will frequently 'waterfall' (cascade) down to the teams that make up the organization. If the target of change is the team, the change initiative will frequently waterfall down to the individuals who make up the team.

The Coca-Cola company – the world's largest beverage company – has implemented organizational changes that have cascaded to different levels of the company. In 2012 the company consolidated leadership of its global operations under the Bottling Investments Group, Coca-Cola International and Coca-Cola Americas. Following this reorganization the company implemented further changes to streamline its focus and expedite its refranchising to independent bottling partners. The North American business was segmented into a traditional company and bottler operating model to suit the needs of the North American market. It consisted of two operating units: Coca-Cola North America and Coca-Cola Refreshments. As a result, a number of leadership changes took place throughout the company, including the Coca-Cola Americas operating structure ceasing to exist.

The business was reorganized to focus on key markets, streamline reporting lines and provide flexibility to adjust the business within these geographies in the future. The changes in Coca-Cola started at the organizational level, filtered down to the leadership team and then to individuals across the company.

Enabling Change

An organization needs to consider how to enable change to be effective. Questions such as the following have to be addressed: What should the pace of

change be? Will it be easier if it is introduced quickly or over a longer period of time? How should the change be introduced? What should be the phases or sequencing of it?

We address each of these questions below, beginning with the pace of change.

Pace of change

Some researchers argue that change processes should be pursued at a slow pace while others argue that radical change needs to be made quickly (Beer et al., 1990). Sustainable change needs to be done with 'pace' rather than 'speed', says Steve Holliday, chief executive of the UK's National Grid: 'I think this is about wanting to do things with a bit of pace and urgency' (Prevett, 2013). Netflix is an example of an online company that was driven to implement transformational change with pace and urgency.

Netflix had to transform itself rapidly due to a great deal of negative publicity. Their CEO did a major restructuring and rebranding of the company, focusing on their two lines of businesses: DVD home delivery and video streaming. It was poorly managed, and in October 2011 Netflix announced that it had lost 800,000 US subscribers because of the poorly handled change. Since then Netflix has carried out a major transformation. The company has gone from being a home deliverer of discs to a producer of video content and streamer of video content to the homes of global subscribers, including a voice recognition system named 'max' that quizzes subscribers and gives movie suggestions. It has produced original series such as *House of Cards*, revived the TV series *Arrested Development*, and agreed a deal that involved DreamWorks producing more than 300 hours of original programming for them. By 2014, Netflix had more subscribers than HBO. This is from a company that, only a few years earlier, was a leader in distributing DVDs made by others to the homes of people on a subscription basis. In order to make this transformation the company changed its business model very quickly. Netflix has done what many other companies in the entertainment industry have been unable to do: execute a major change. One of its earlier competitors, Blockbuster, no longer exists because it was unable to do exactly that.

There are, however, those who caution against organizations following such courses of rapid change. Brown and Eisenhardt, (1997) argue that, in the experience of many firms, the whole notion of short, sharp bursts of change is erroneous and lacking. Amis, Slack and Hinings (2004) advocate that rapid change throughout organizations is not only insufficient to bring about radical change but even detrimental to its outcome. The case of Toyota is evidence of what happens when change is introduced too quickly. Toyota had for decades been a model to the whole world of manufacturing excellence and quality production. It seemed unimaginable that it could find itself facing a massive vehicle recall and the accompanying loss of customer trust, but this is what happened. In his written testimony to the US House Oversight Committee in 2011, chief executive Akio Toyoda said, 'I fear the pace at which we have grown may have been too quick' (*Financial Times*, 24 February 2010). Safety had always been the company's top priority, followed by

quality and volume. Toyota's mission had become confused in the rapid expansion of the business. It had pursued growth over the development of its people and organization. As the story of Toyota shows, a continual rapid pace of change can be detrimental to a company. It can be difficult to sustain. Instead companies may follow a path of rapid transformational change followed by periods of slower more incremental change. Yet, in some industries companies who fail to match the speed of change may find themselves losing out to competitors.

Michael Schrage (2012) cautions against both moving too fast and moving too slowly. Schrage quotes examples such as Ron Johnson, CEO of JC Penney, as moving too fast and Meg Whitman of Hewlett-Packard, Jack Welch of GE, Bob McDonald of Procter & Gamble, as moving too slowly. This, Schrage says, is in contrast to IBM's Lou Gerstner's practised, cultivated deliberateness, which ensured that the right pace was employed.

So how fast the change is implemented depends on the nature, context and type of change.

Sequencing of change

Sequencing is related to the timing of change but refers specifically to the sequence in which different elements of the change are introduced. The available time for each stage or phase of change can be of importance because changes that are more fundamental require people to learn new behaviours, and often to adjust their norms and values. Such major adjustments take time and can be hindered when changes are implemented too quickly (Gravenhorst et al., 2003) or when there are individual differences and conflicting goals.

Dialectical theories focus on the conflicting goals of those involved in a situation. These conflicts give rise to a reactive sequence, in which one party challenges another party's attempts to secure a particular change. In reactive sequences, subsequent events challenge rather than reinforce earlier events. This may lead to deviations from the intended sequence of events. In some cases, negative reactions may lead only to minor deviations from the intended path but sometimes the reaction can block or radically transform the change. Mahoney (2000) refers to the possibility of a 'backlash' and Pierson (2000) observes that events can trigger counter-reactions that are powerful enough to move the system in a completely new direction.

Self-reinforcing sequences occur when a decision or action produces positive feedback that reinforces earlier events and supports the direction of change. This reinforcement induces further movement in the same direction. While self-reinforcing sequences can deliver benefits over the short term, managers need to be alert to the possibility that they may draw them into a path that will deliver suboptimal outcomes over the longer term. For example, Nokia stuck to a winning formula too long and failed to respond to new opportunities and threats as they emerged. Nokia focused on producing mobile phones (hardware devices) and missed the developments in software, which its competitors such as Apple were involved in. It was in danger of being squeezed out of what was becoming a highly profitable segment of the market. Growing profits from hardware and Nokia's dominant position in the mobile phone market had undermined its success. Just in time Nokia announced a new strategic

direction, which involved a partnership with Microsoft to build a new mobile ecosystem. Nokia also announced that the Windows Phone operating system would be its primary smartphone platform (see Hayes, 2014: 11).

Managers need to consider introducing changes sequentially and at different tempos. Some researchers suggest that by implementing high-impact elements first, the symbolic effect on the organization, coupled with system dependencies, will secure the changes in other elements as well (Amis et al., 2004; Hinings and Greenwood, 1988). While other researchers argue that change, such as creating new services or products or entering new markets, needs to be made regularly and rhythmically through what Brown and Eisenhardt (1997) call 'time-pacing'. Time-pacing creates a regular, rhythmic and proactive approach to change that can increase the capacity for change. It gives people a sense of control because change becomes predictable, focused and efficient, and employees become more confident. Despite the regularity of changes, time pacing may not be appropriate for all kinds of organizational changes. Changes related to technological changes or more behaviourally oriented changes are perhaps less suited to being initiated at regular intervals.

As we will see in Chapter 7, several models do advocate a sequential progress of activities (for example, do X first, then Y, and finish the change process with Z), and many even suggest that to miss one step or to fail to do it justice before moving on to the next is a grave error. Yet there is little agreement on what steps should be taken first and what steps should follow. For example, should leaders first create a sense of urgency around the need for change and then set about designing the right change intervention? Or should there be an agreed plan in place before energizing the organization around it? Similarly, when should the phase of institutionalizing the new changes begin: should it be done from the outset or only once a 'critical mass' moment or 'tipping point' has been reached? Or should it be done only once they have been proven to work? When considering different models and theories it is important to examine the presumed sequence implied and why this might be expected to work.

Process-driven or people-driven change?

Organizational change has often been an either/or proposition: either process-driven to create economic value for stakeholders, or people-driven, potentially to develop an open, trusting culture in the long term. Beer and Nohria (2000) say that it is important to consider the extent to which the process of change should be process-driven, which they call Theory E, or person-driven, Theory O.

Theory E, they argue, advocates a process focus – a systems-driven strategy motivated by the need to achieve clear economic gains. The explicit goal of Theory E change is to dramatically and rapidly increase shareholder value, as measured by cash flow and share price. Popular notions of employee participation and the learning organization take a back seat to this over-arching goal. As a financial crisis is usually the catalyst for this approach to change, Theory E proponents rely heavily on mechanisms likely to increase short-term cash flow and share price, such as performance bonuses, headcount reductions, asset sales and strategic reordering of business units. Theory E advocates that all implicit contracts between the company and its employees, such as lifetime employment, are suspended during the change effort. Individual

units whose activities fail to demonstrate tangible value creation and return on investment, such as corporate planning or training and development, are particularly vulnerable. With Theory E the CEO and the leadership team drive change from the top.

In contrast, Theory O is a person-driven approach in which organizational capabilities are built by investing in people and creating motivation and commitment. Companies that follow this approach attempt to invigorate their cultures and capabilities through individual and organizational learning. This approach was employed by Johnson & Johnson in 1990s when the company's performance was flagging. The Theory O approach requires high levels of employee participation, flatter **organizational structures** and strong bonds between the organization and its staff. As employee commitment to change and improvement are vital for Theory O change to work, implicit contracts with employees are considered too important to break – quite the opposite of what happens with Theory E. Leaders who advocate Theory O change are less interested in driving the success themselves than in encouraging participation from employees and in fostering employee behaviours and attitudes that will sustain change.

So which is the best theory to adopt? Unfortunately neither approach guarantees success. Theory E, which aims for rapid improvements in profitability, often succeeds in the short run but does so at the expense of future vitality. By reducing employee roles, it often leaves survivors demoralized. Any commitment employees had to the company may evaporate and the talent the company had hoped to retain are often the first to snap up redundancy packages and look for a job in another company. Theory O is not an ideal solution either. Reorientating corporate culture around employee commitment and learning is a noble endeavour but a long-term proposition. A successful programme may produce smarter, more adaptive employees in four to five years but companies that really need change cannot wait that long for results. Beer and Nohria (2000) conclude the best approach is a mix of Theory E and Theory O. For change in organizations is rarely black or white but more a fusion of different colours. Instead, the authors advocate that:

Companies that effectively combine hard and soft approaches to change can reap big payoffs in profitability and productivity ... Those companies are more likely to achieve a sustainable competitive advantage [and] ... reduce the anxiety that grips whole societies in the face of corporate restructuring. (2000: 134).

General Electric (GE) is an example of a company that has employed both approaches in turn. When former CEO Jack Welch took over he initially implemented a host of redundancies and got rid of under-performing work units through draconian Theory E methods. He then followed with Theory O change initiatives designed to improve the competitiveness of the company's culture by making it faster, less bureaucratic and more customer-focused. Companies that combine both theories can achieve huge benefits in profitability and productivity.

To help you think through the pros and cons of each theory, Table 2.1 summarizes the two archetypal change approaches and their combination in terms of key factors.

The models and approaches outlined in this chapter are all useful in capturing aspects of a complex whole. They do, however, need to be adapted to the context in which they are being applied.

Table 2.1 Key factors in Theory E and Theory O change – adapted from Beer and Nohria (2000)

Dimensions of change	Theory E	Theory O	Theories E and O combined
Goals	Maximize shareholder value.	Develop organizational capabilities.	Embrace differences between economic value and organizational capability.
Leadership	Manage change from top down.	Encourage participation from bottom up.	Set direction from top and engage people below.
Focus	Emphasize structure and systems.	Build corporate culture.	Focus on structures, systems, and culture.
Process	Plan and establish programmes.	Experiment and evolve.	Plan for spontaneity.
Reward system	Motivate through financial incentives.	Motivate through commitment.	Use incentives to reinforce change but not to drive it.
Use of consultants	Analyse problems and shape solutions.	Support management in shaping their own solutions.	Expert resources who empower employees.

Implications for leaders and managers

Consider what kind of change is needed

Beyond the issue of what kind of change is needed and when it should be introduced, managers and leaders need to consider how to enable change to be effective. This involves choices to be considered such as the sequence and pace of the change, as well as how to develop a people and process driven approach.

Review the sequence of the change

A change process involves a number of events, decisions and actions that are connected in a sequence. They are connected in the sense that each event is influenced by earlier events and also helps to shape subsequent events. In the sequence $A > B > C > D > E$, event B is both a response to event A and a factor that shapes event C, which in turn affects D and so on. The way an earlier event will impact later events depends on how others respond.

Several models do advocate a sequential progress of activities (for example, do A first, then B, and finish the change process with E), and many models even suggest that to miss one step or to fail to do it justice before moving on to the next is a grave error. Yet there is little agreement on what steps should be taken first and what should follow. When considering different models and theories it is important to examine the presumed sequence implied and why this might be expected to work.

Pace of change

Along with the sequence of change, managers and leaders also need to identify the pace of change. As outlined in this chapter, fast-paced changes will contribute in releasing more energy. On the other hand, changes that are made too quickly may constrain

problem-solving and adaptation to the new situation. Slow-paced change facilitates learning and allows all organizational members time to understand what needs to be changed and how. When done effectively, slow-paced incremental change can be a crucial part of short-term success. However, if a change process takes too long, the change may lose salience and people will not notice anything happening. A slow pace can also allow time for mobilization of power and increased resistance, which is often one of the main arguments behind implementing large-scale changes as rapidly as possible. Fast-paced change over a long period may also lead to change fatigue. So how fast the change is implemented depends on the nature, context and type of change.

When considering what kind of change is needed and the magnitude, focus and pace of it, you also need to take into account the organization's readiness and need for the change, which we discuss in the following chapter.

Discussion Questions

- 1 As an employee, would you prefer to work in an organization that favoured a planned approach to change or an emergent approach to change?
- 2 How realistic do you think it is to categorize types of change within an organization? What might be the advantages and disadvantages?
- 3 Is there a change theory that you have greatest affinity with? Explain why.
- 4 What are the implications of what you have learnt in this chapter for how you might design a change initiative?

Activity

- 1 Identify an organizational change that you are aware of, either in an organization in which you are working or in an organization you are familiar with (such as your university, a sports club, church, mosque or similar organization).
 - a. Choose one of the change theories discussed in this chapter that best describes the type of change the organization went through or is going through.
 - b. Discuss why this theory is the most appropriate.
- 2 Using the internet, find two companies that have undergone change and describe them in terms of types of change they have used. Were they successful? Why or why not? What could they have done differently?
- 3 Look at the business section of a recent newspaper and see how many references to change you find. What are the similarities? What type of change are they describing?

Further reading

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