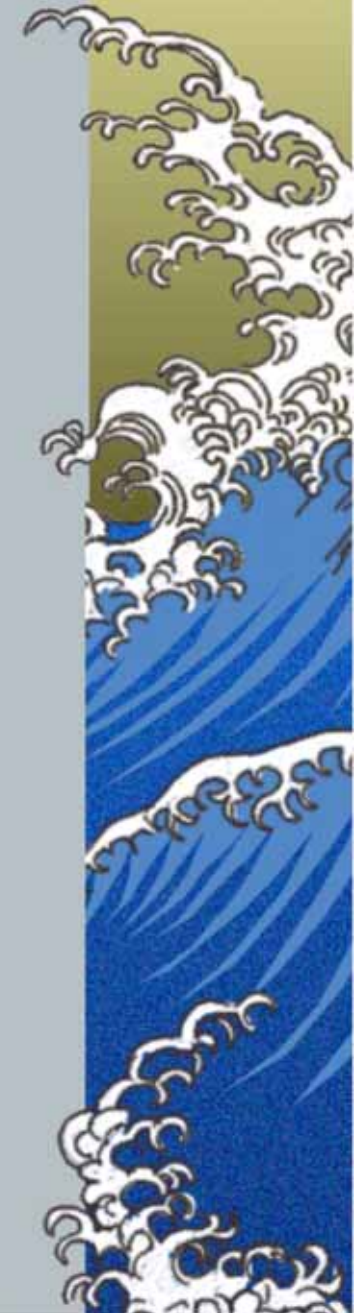


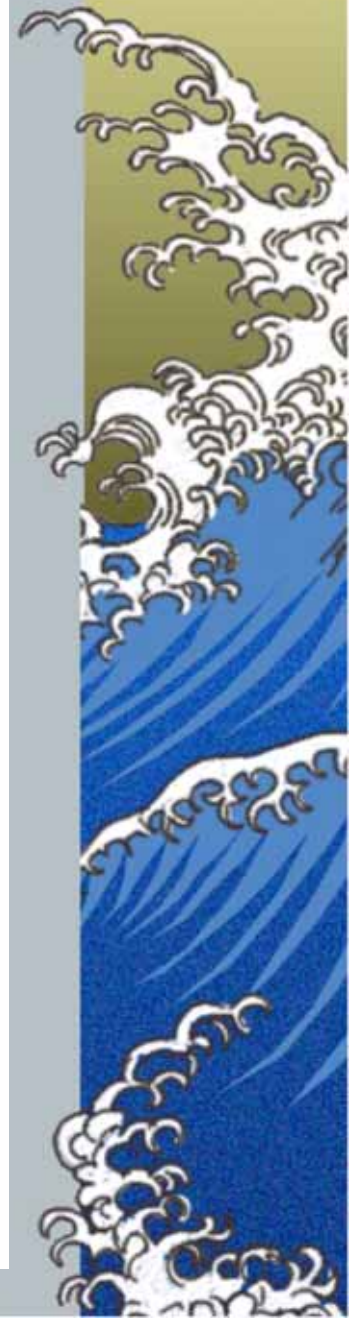
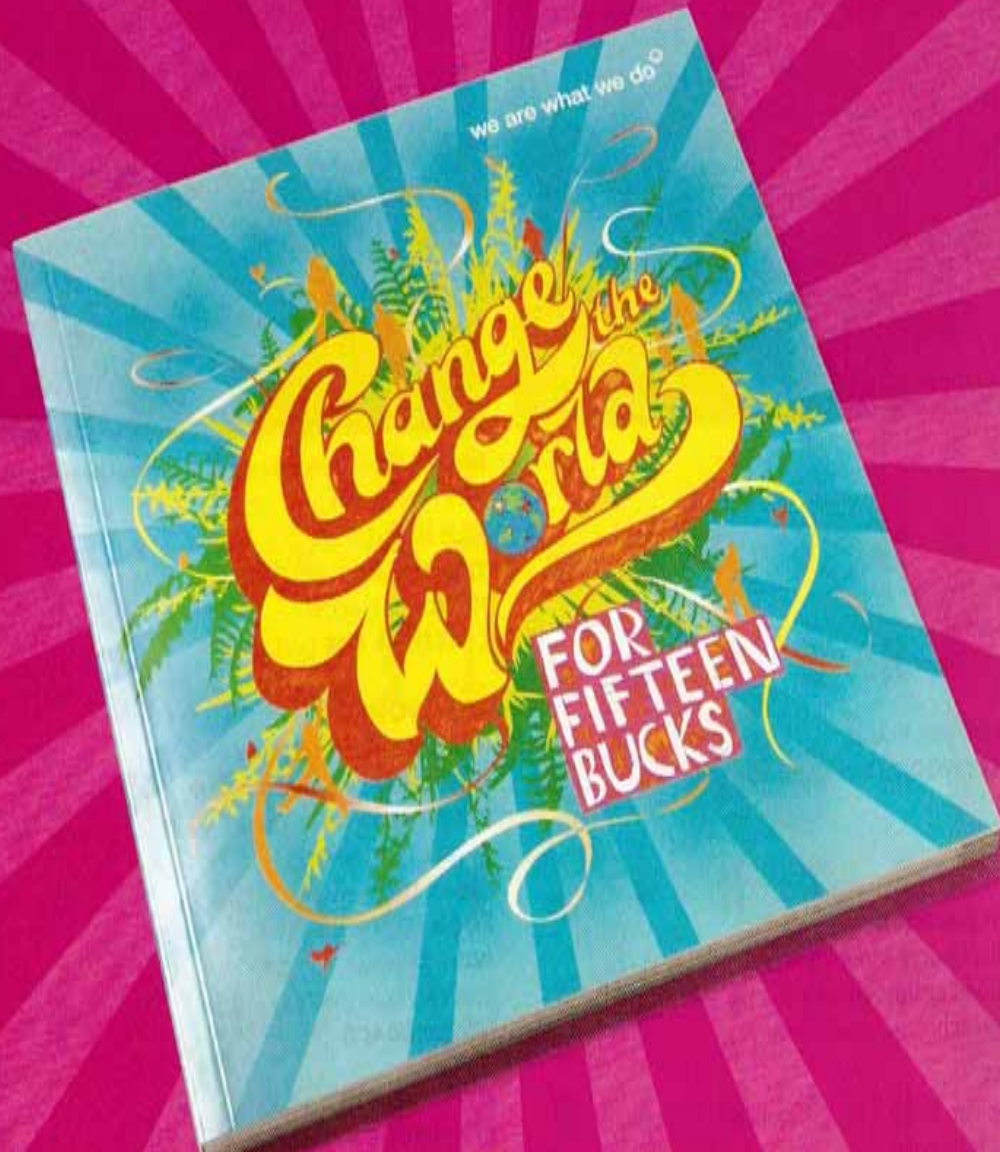
Change Management – Delusions and Realities

Dr. Udo Zander
Ragnar Söderberg Professor
of Business Administration,
Stockholm School of Economics



we are what we do[©]

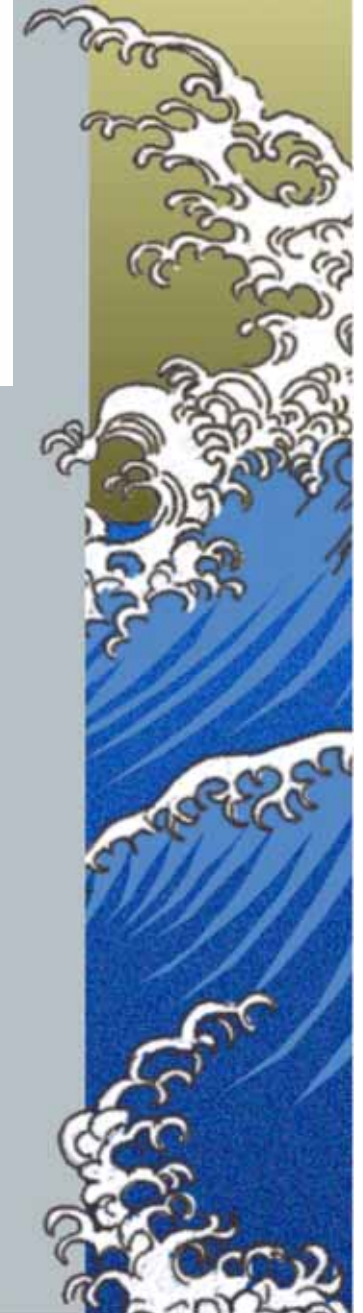
Small actions x lots of people = BIG change



Not always like this



- ▲ Some Causes:
 1. Collective self-confidence after the successful modern project
 2. Meritocracy (and increased responsibility for our fate)
 3. Status increasingly allocated in relation to financial achievement (in 'the West' post-1776)
 4. (International) competition and technological development: external drivers for change and internal inertia as limitation



What happens if we do nothing?



The third law of thermodynamics



Change = The Human Condition

- We mature and age
- Panta rei

I feel responsible!



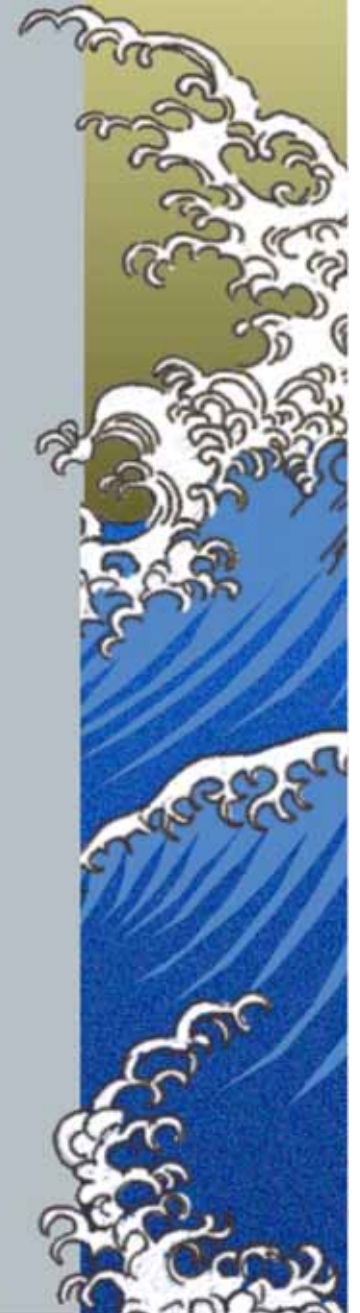
Change and Stability

- ▶ Who is this guy?
- ▶ Well not me anyway since the picture was taken 4 years ago...
- ▶ ...and pretty much every atom in my billions of cells has been exCHANGED...
- ▶ Or is it me?
- ▶ What ARE we? (and what is an organization ?)



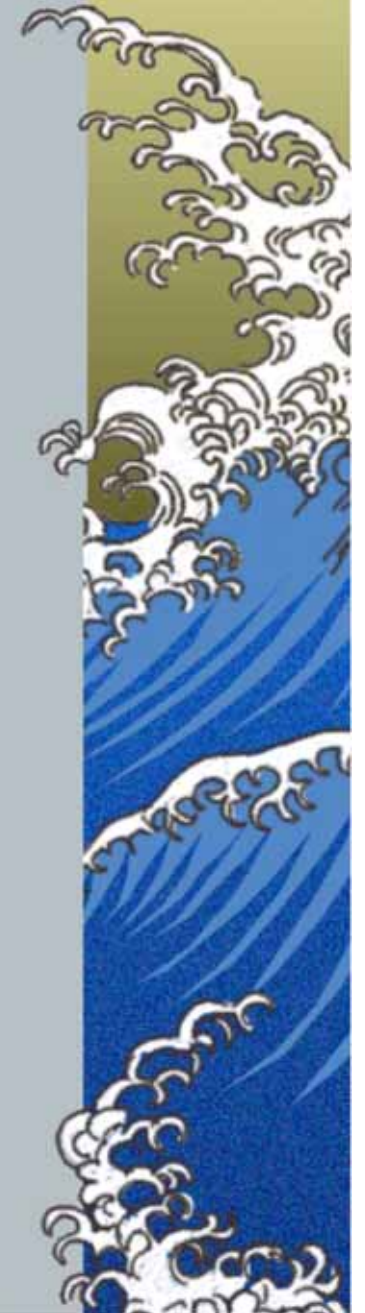
My antecedents

- ▶ Interview studies of Headquarter-subsubsidiary relationships and international R&D in major Swedish-owned MNCs (giving context)
- ▶ Supervision of around 150 “change projects” in MNCs in the context of an Executive MBA program
- ▶ Late realization that learning (leading to change of habits) beats everything else

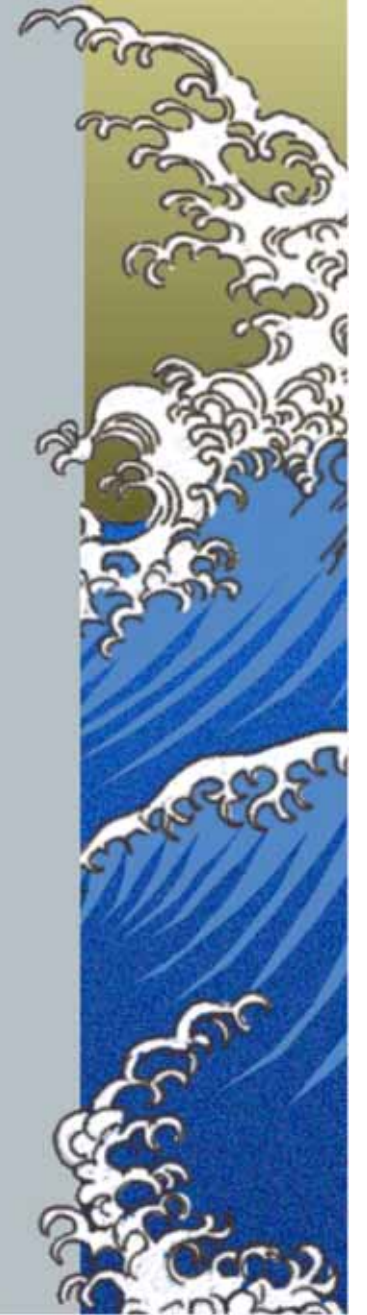


Today's issues

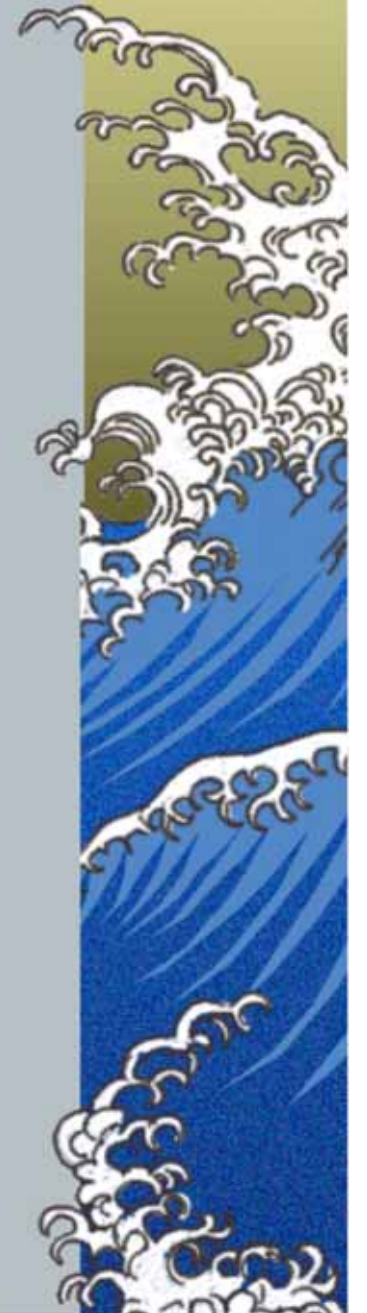
- ▶ Fundamentals, odds, and what we know
- ▶ Managing change processes
- ▶ Resistance to change
- ▶ Human nature and change



Fundamentals, odds, and what we know



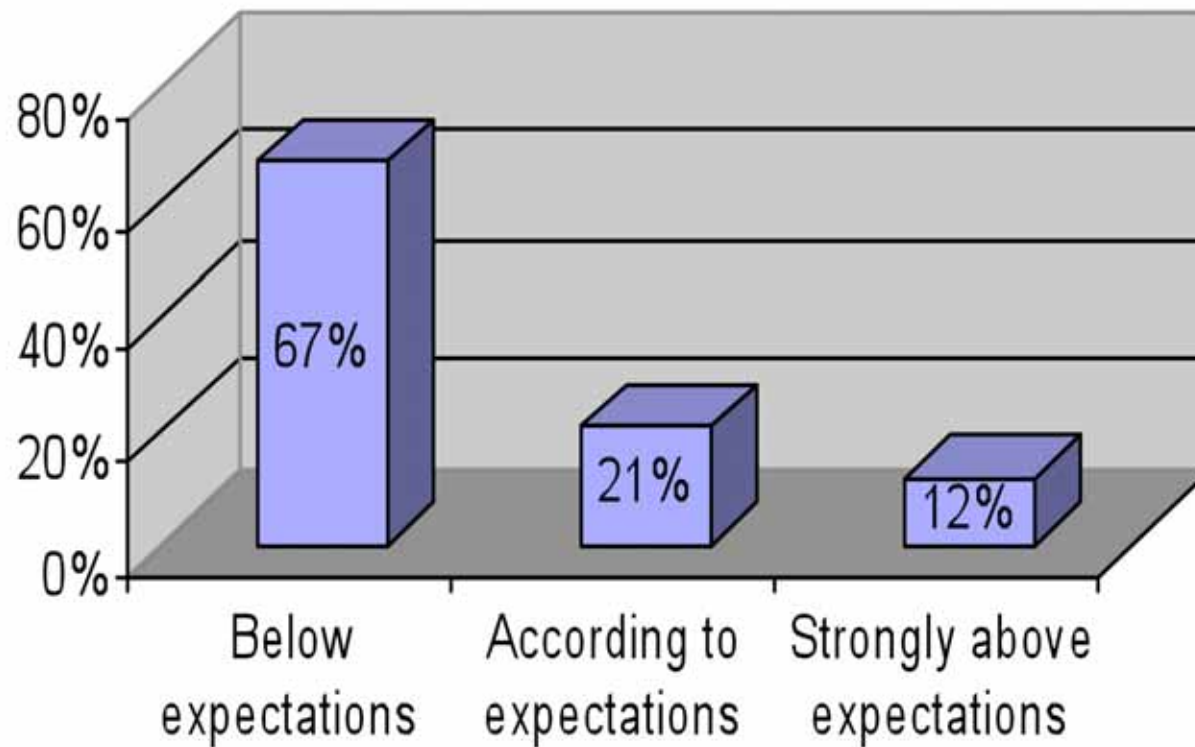
What are our odds?
How often are change processes
successful?





**The
10 - 20 - 70
- iron law**

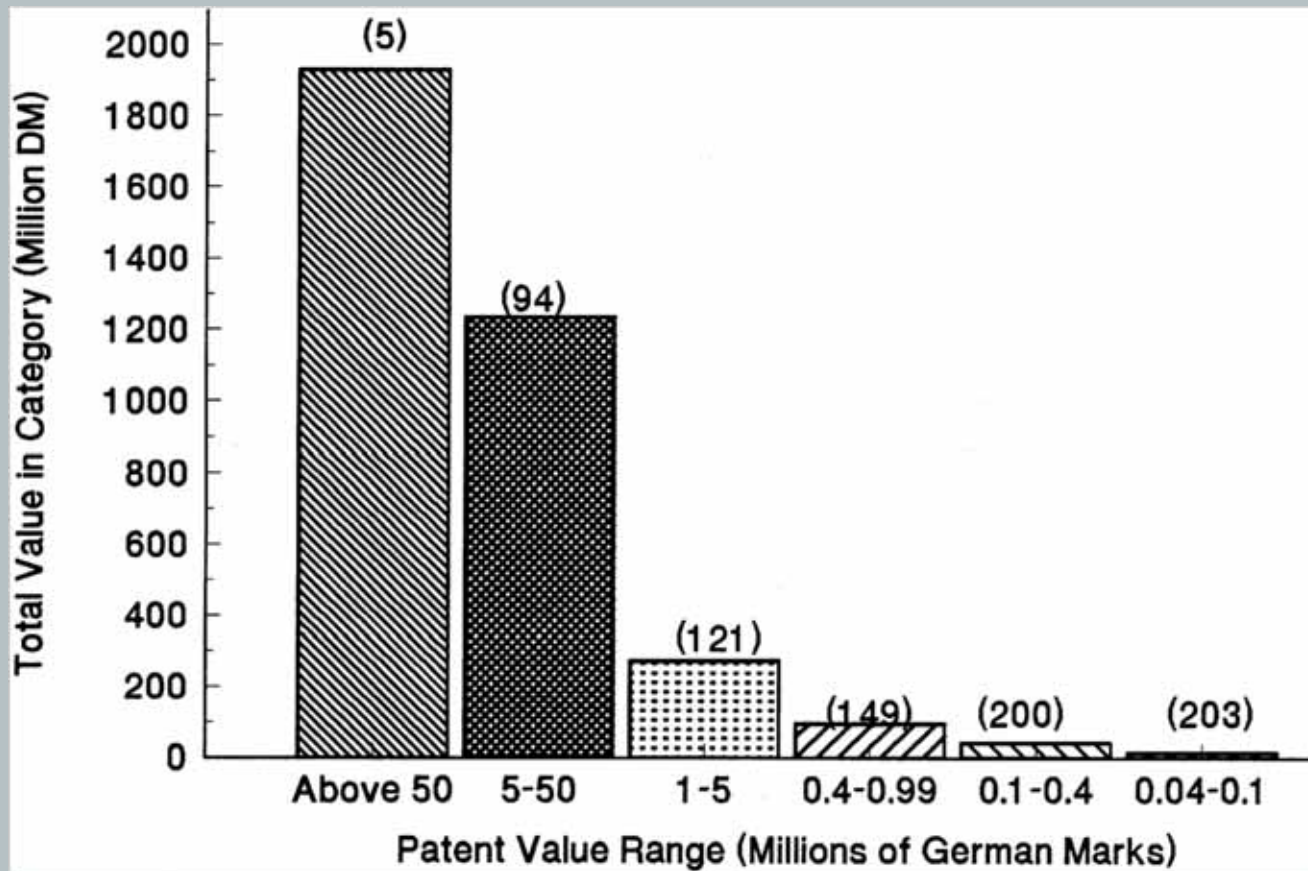
Success ratios of corporate venturing (sales relative to expectations of venture champion)



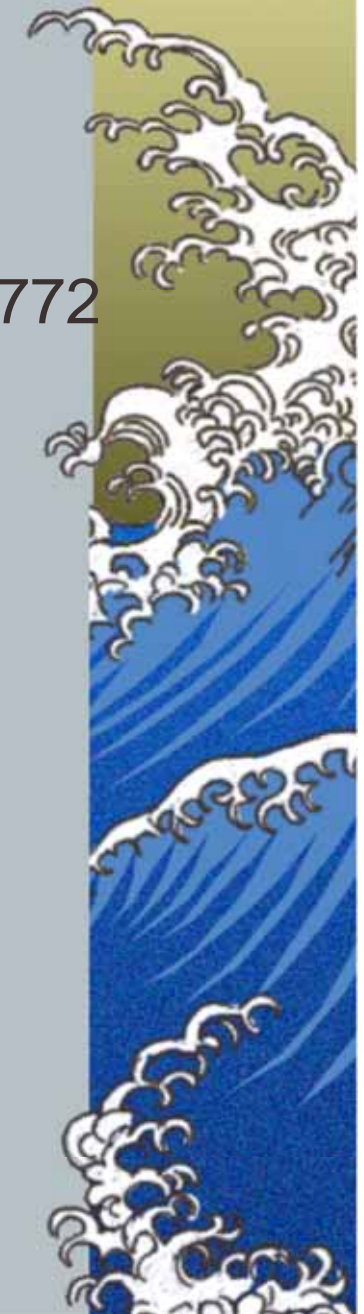
N=86

Net Present Value of Patents

(Scherer and Harhoff, 2000)



N=772



Why we do not learn from failure

- ▲ “New lands had always been found in the past, and therefore would be in the future. Failed migrations told no tales.”

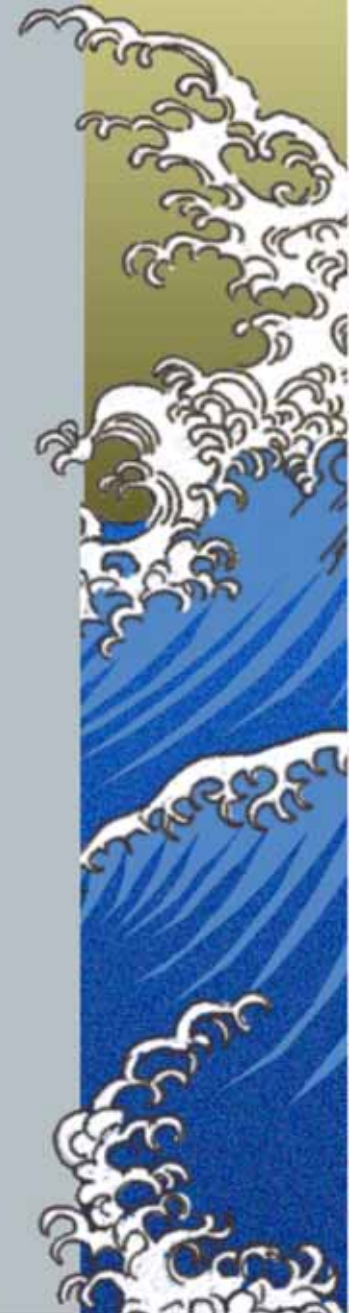


James Belich on the
“Polynesian ethos of expansion”



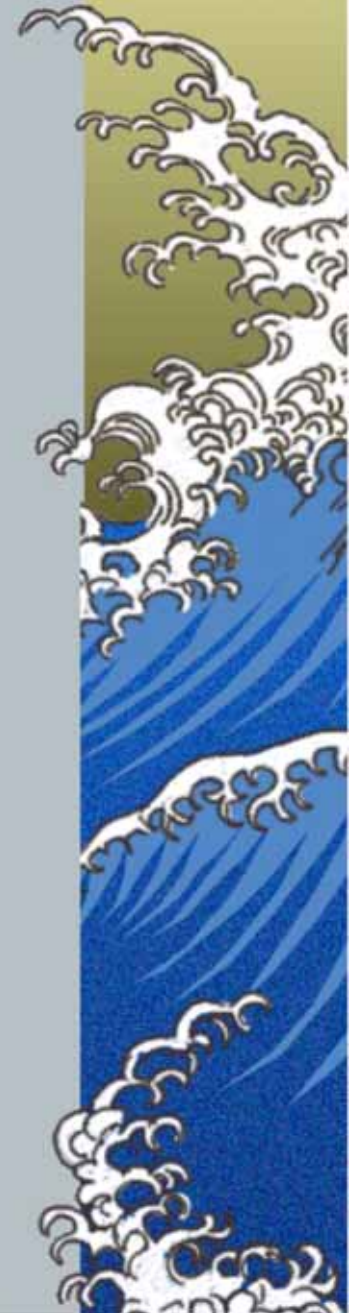
As we often fail...

- ▶ Why not an "end of the game / reverse kick-off party" where we review our shortcomings, laugh at, and learn from what we did wrong...?
- ▶ What if we by doing this learn slightly faster than our competitors?



Change in organizations – some hints from research

- ▶ Why always reorganize?
- ▶ Why so often the standard setup?



reorganizing

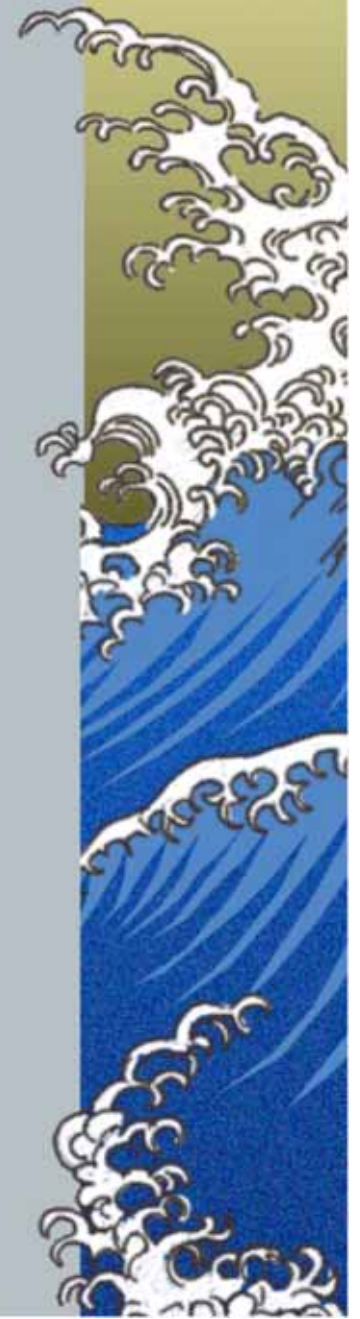
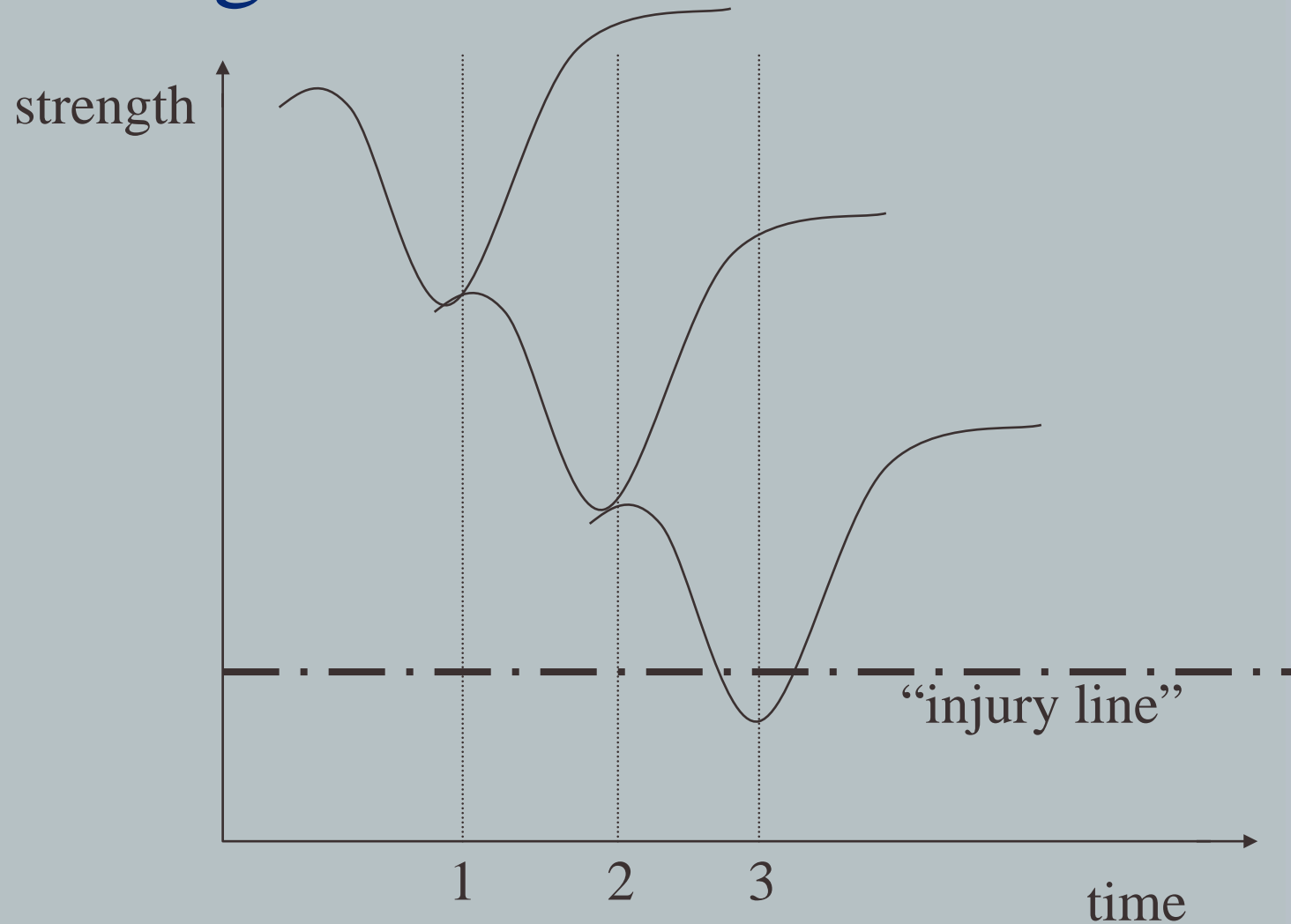
“We trained hard...every time we began forming up into teams, we would be reorganized.

I was to learn later in life that we tend to meet any new situation by reorganizing... and a wonderful method it can be for **creating the illusion of progress while producing inefficiency and demoralization.**”

Written by Gaius Petronius (died circa 66 AD)



Reorganization and work-outs



Reorganization and formal structure

- ▲ “Things take time”: 10-15 years from redrawing boxes to behavior change (if it works...)
- ▲ Changing formal structure when taking over breeds suspicion - repeated attempts breed cynicism and organizational break-down
- ▲ MNCs increasingly organize formally around one dimension (functions, products, areas, etc.) and solve other problems with systems and procedures
- ▲ Change of formal structure after behavior has changed is a good manifestation



Bartlett @ HBS:

Structure can be installed –
organizations need to be developed!

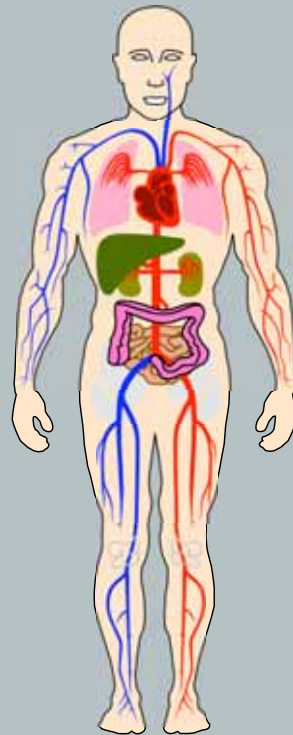
Psychology



Physiology



Anatomy



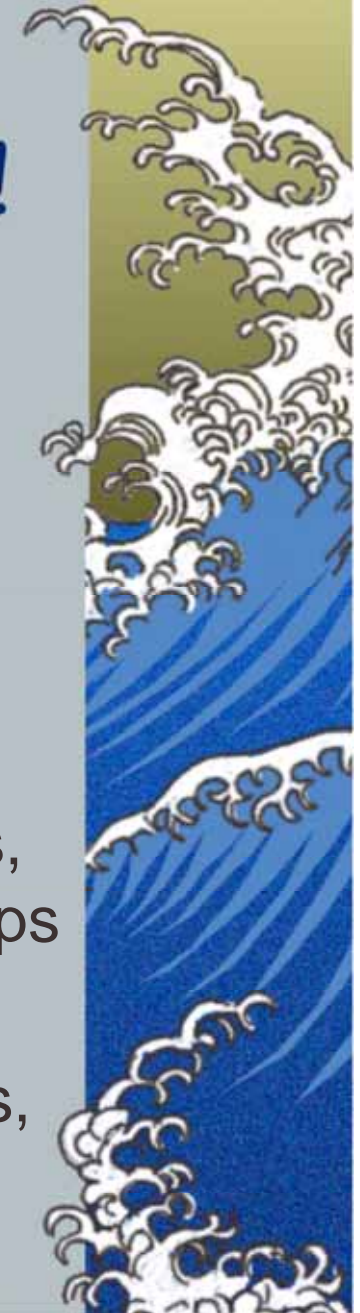
Culture norms & values
shaping a mindset



Flows through systems,
processes & relationships



Roles, responsibilities,
assets, resources



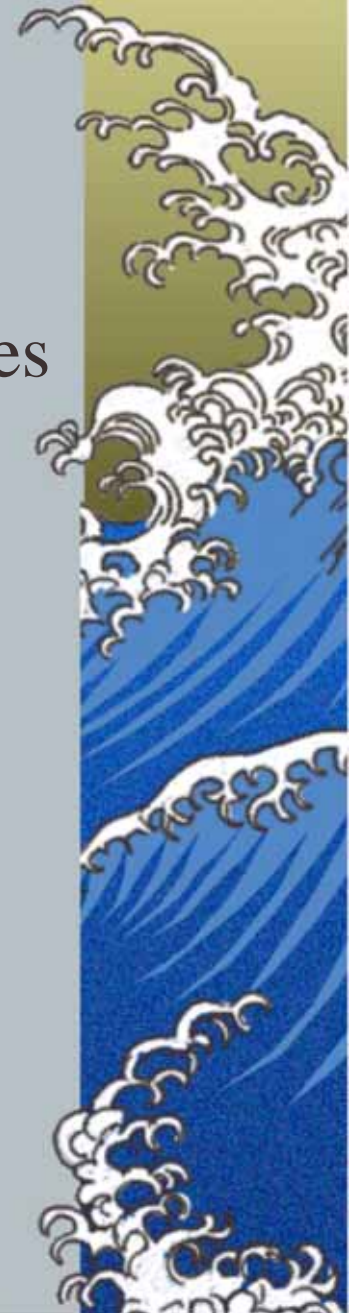
Change in Organizations – some hints from research

- ▶ Why always reorganize?
- ▶ Why so often the standard setup?



The standard action plan

- ▶ Retreat with 15 executives to discuss purpose, values & culture in light of recent results
- ▶ New vision/mission statement + new HR directives
- ▶ Company-wide program to push change down
- ▶ New formal organizational structure
- ▶ Building of new culture starts
- ▶ Courses, seminars, quality circles, etc
- ▶ Training program to turn managers into “change agents”
- ▶ New performance appraisal system & compensation plans
- ▶ Quarterly attitude surveys to chart progress



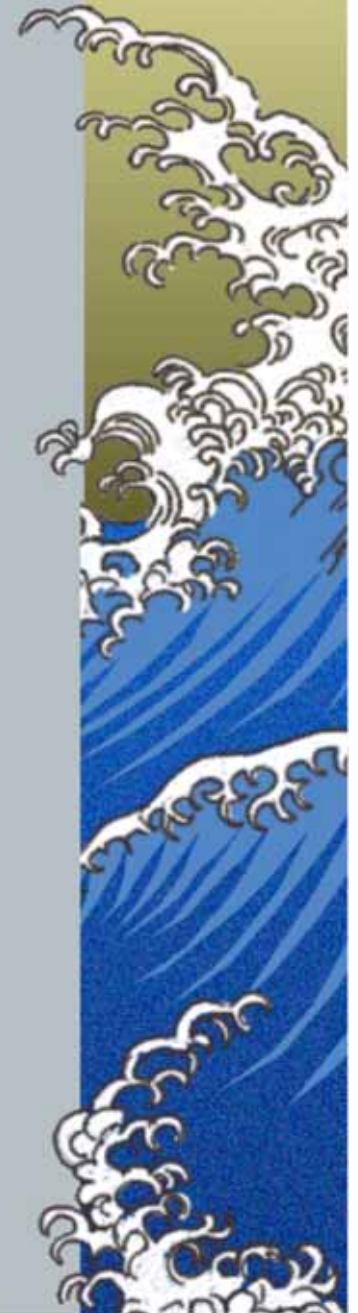
The death of the standard change program (according to Harvard Business Review)

- ▲ 1990 “Why change programs don’t produce change”
- ▲ 1992 “Successful change programs begin with results”
- ▲ 1993 “Managing change: the art of balancing”
- ▲ 1995 “Leading change: why transformation efforts fail”
- ▲ 1996 “Why do employees resist change”
- ▲ 2001 “Cracking the code of change”
- ▲ 2006 “Change Through Persuasion”
- ▲ 2006 “Your company’s secret change agents”



What were the standard problems?

- ▶ Changes in values/attitudes did not happen (if so, they did not lead to changes in behavior)
- ▶ Changes in formal structure did not lead to changed employee behavior
- ▶ top down, carrots, and sticks did not seem to work well (people that do not feel like insiders game the systems)
- ▶ Organization focuses inwards – loss of clients and business
- ▶ Difficult to work at the top of Maslow's hierarchy of needs under the threat of removing basic security



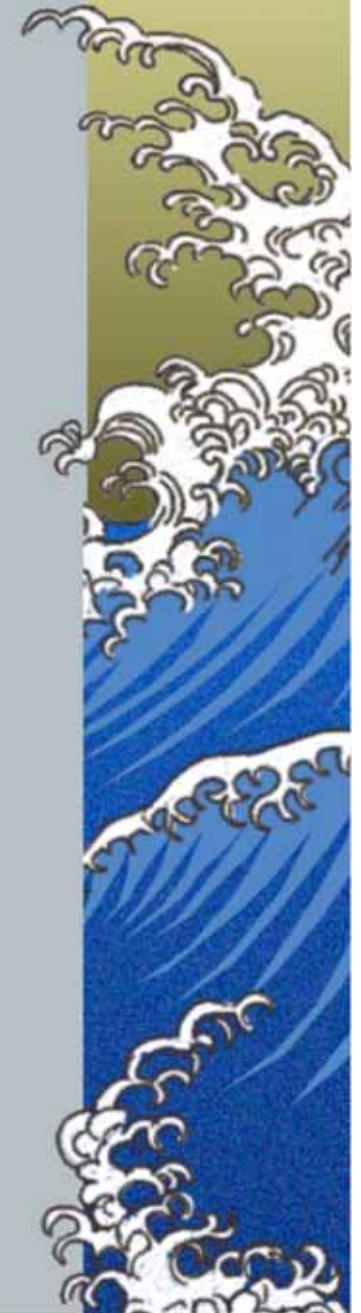
What to do instead?

- ▶ Let leaders in the **periphery** start change – don't push from the top (until last)
- ▶ Concentrate on solving **business** problems
- ▶ Align **tasks** instead of changing “participation” or “culture” (every time we specialize we have to coordinate!)
- ▶ New **roles, responsibilities** and **relationships** produce changed behavior
- ▶ Resort to **output** control and relieve process control during changes
- ▶ Let people in the organization be in **contact** with management and each other (create awareness)

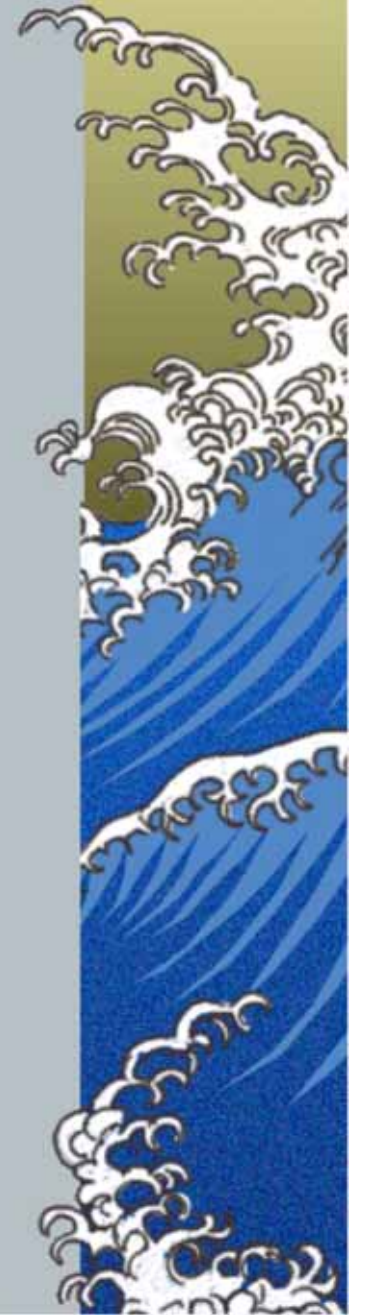


Powerful myths

- ▶ “If we only have clear and clearly communicated goals, we will always succeed when implementing change” (process matters)
- ▶ The carrot: Incentives as saviors (outsider gaming)
- ▶ The stick: “If we only make them scared enough” (burning platforms & fear-driven change lead to panic)
- ▶ Buy something that works / acquisitions (integration)
- ▶ Technology as the silver bullet (people use technology)
- ▶ The revolution and the quick fix (control and backlash)
- ▶ The structural solution (organizations are developed)
- ▶ Just do it - choose a goal and run there! (orienteering without a map)
- ▶ The long, clever list (repeated small wins)

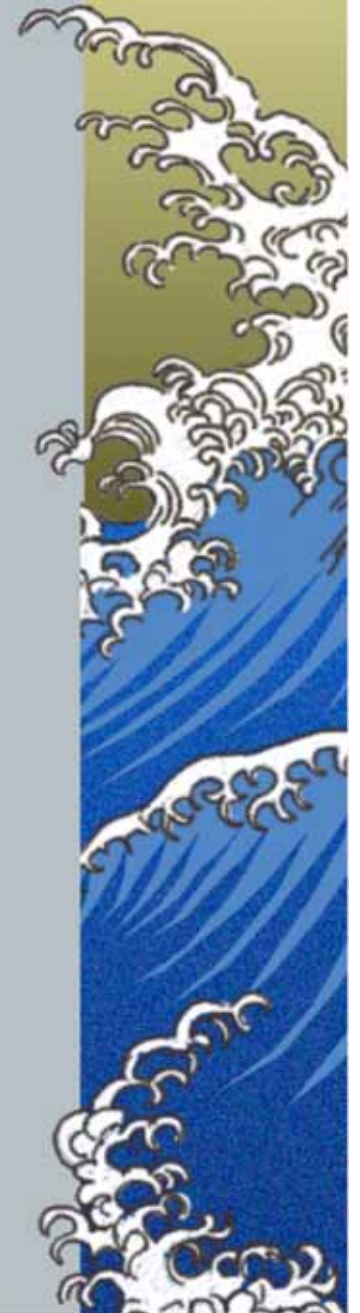


Managing change processes



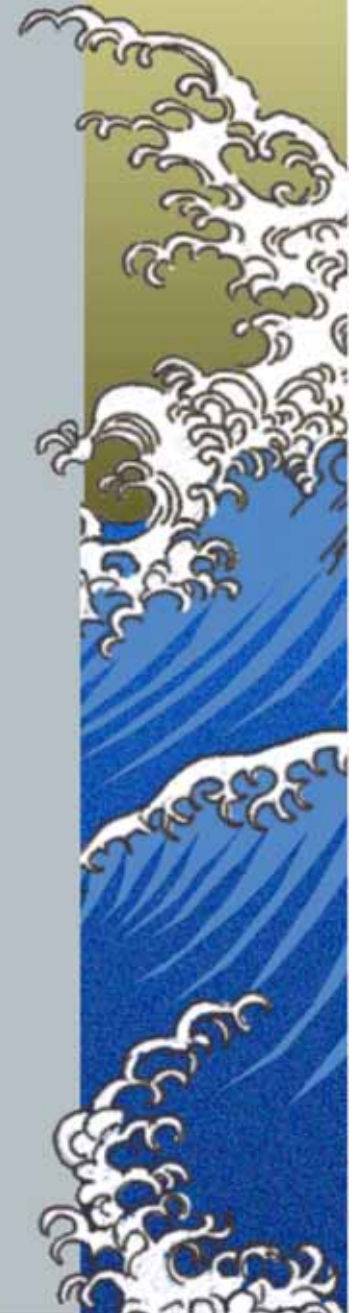
Your experiences of change processes

- ▶ What were the keys to success / failure?
- ▶ What would you do differently?
- ▶ What are the principles of effective change?
- ▶ What separates successful from unsuccessful change?



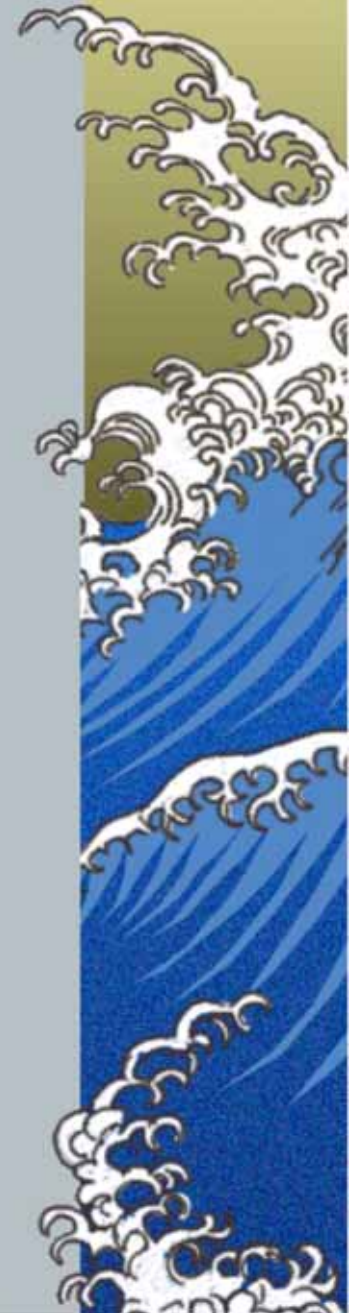
What is a good change process ?

- Generally understood but not systematically practiced
- Possible explanations:
 1. Results not important – rituals?
 2. ‘Weakness of will’ ?
 3. Hard to do ?



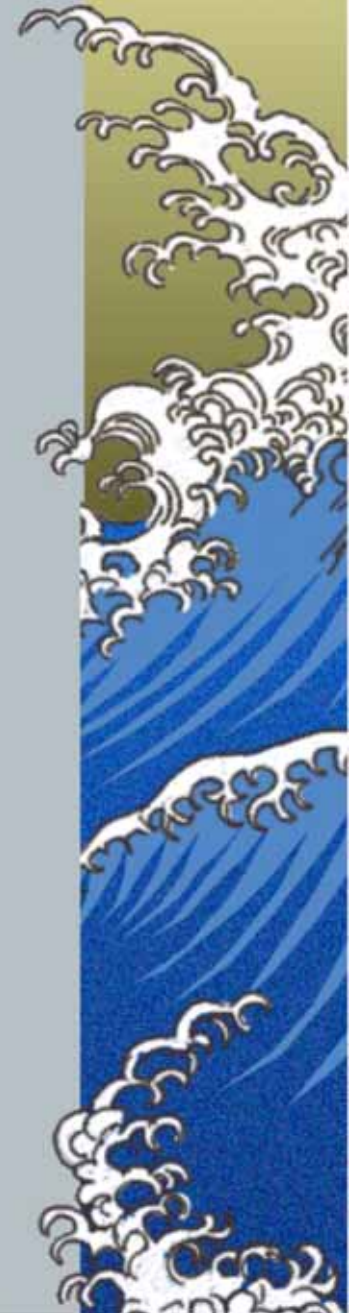
The role of the leader?

- ▶ **Top down** or bottom-up...?
- ▶ **Marching first** or not...?
- ▶ **Selling** or responding...?
- ▶ **Carrot/gold, stick/sword**, or pen...?
- ▶ **Holding on** or letting go...?
- ▶ **Action** or non-action ?
- ▶ **Hobbes, Rousseau** or believer in collective rationality

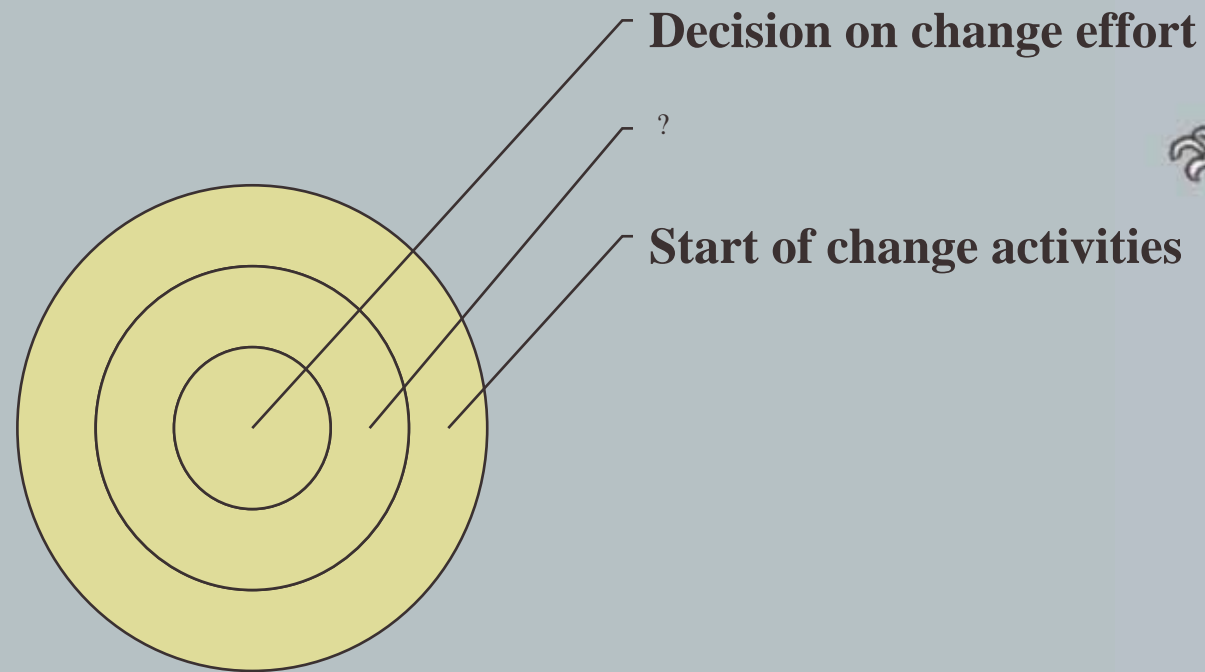


Time: the trade-off

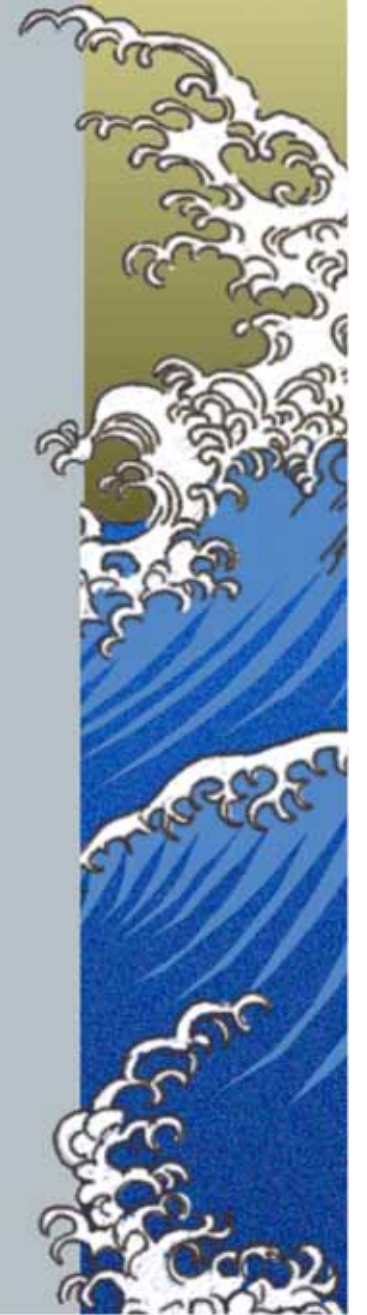
1. Slow decision-making with many involved followed by swift implementation
2. Fast decision-making with few involved followed by long "sales processes"
3. The worst of worlds:
"Slow make-believe collective decision-making followed by the revenge and sabotage of the fiefdoms"



Haste over patience: The three-year problem in large MNCs



Resistance to change

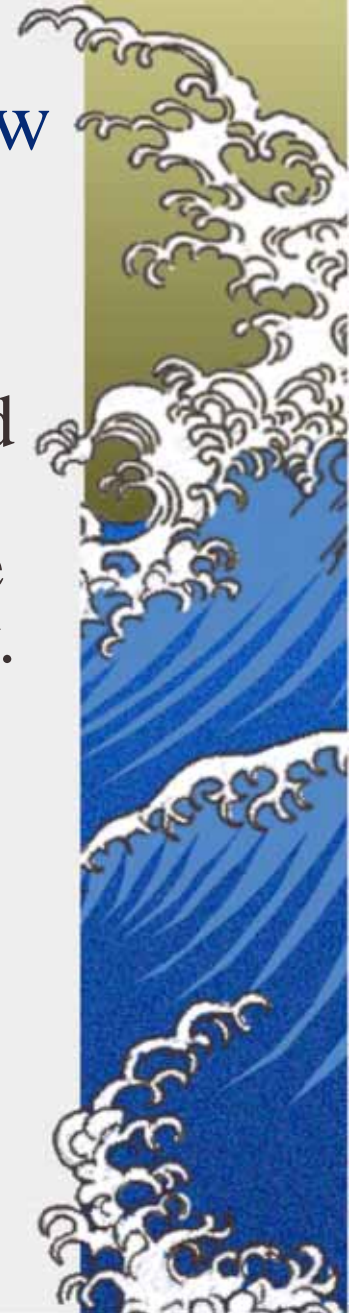


The Battle between the Old and the New



“Innovation makes enemies of all those who prospered under the old regime, and only lukewarm support is forthcoming from those who would prosper under the new. Their support is indifferent partly from their fear and partly because they are generally incredulous, never really trusting new things unless they have tested them by experience.”

(Machiavelli, *The Prince*)

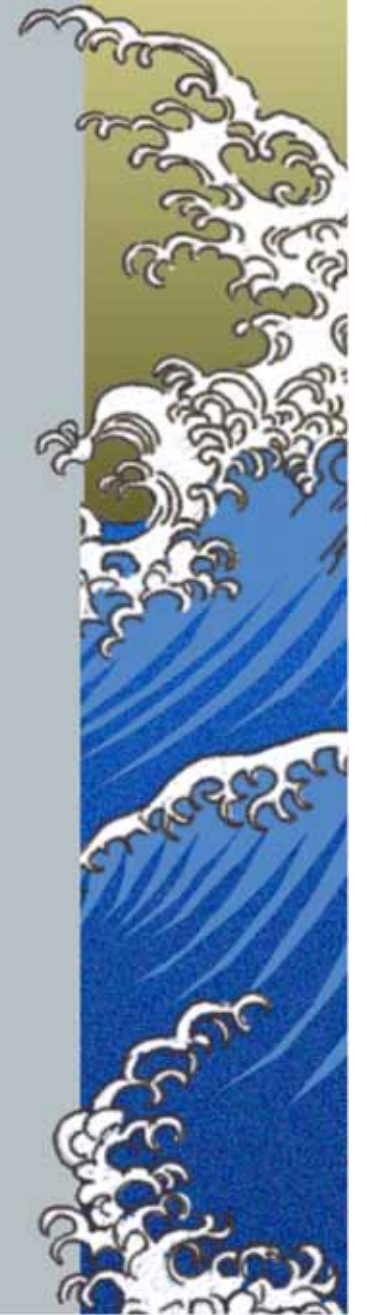




Pain for
the
pioneers



Is resistance wrong?



Predictable resistance at the organizational level

- ▶ Imagine a starved desperate tribe, used to eat potatoes...
- ▶ Imagine two "resource investigators" finding large quantities of unknown, interesting red mushrooms and bringing a sample back home...
- ▶ What happens then...?



Missionaries

Believers

Lip-servants

Spectators

Wait-and-see-People

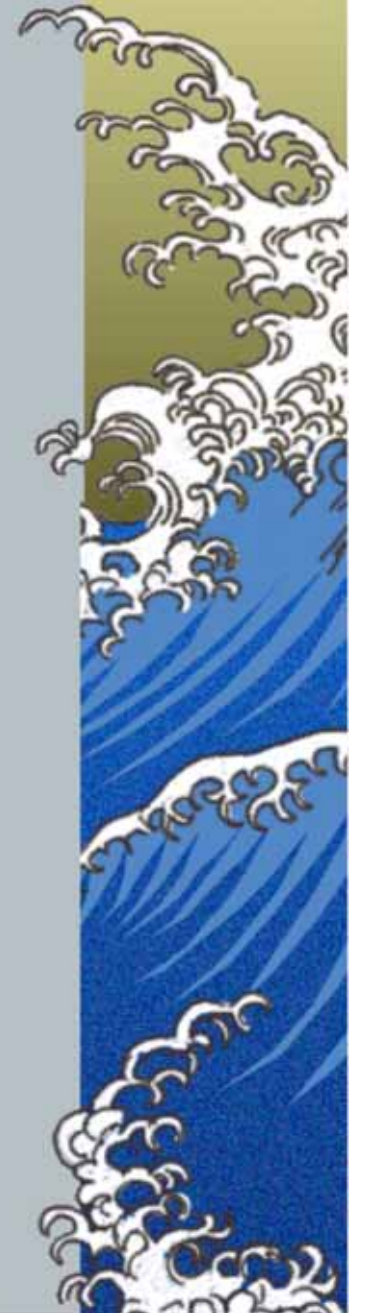
Don't cares

Don't knows

Trench fighters

Open opponents

Emigrants



Relaxing in change processes:

stay cool!

keep your nerves under
control!

It will take the time that is
needed!

Let "results" show the way...

