

Define It - Plan It - Change It - Measure It

The Change Management Process

by

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Abstract

There are three parts to managing change:

- Defining how the organization needs to change
- Defining what the organization needs to do to change
- Managing the change process

This paper defines an approach to managing each of the three parts of the change process.

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INTRODUCTION

Change, change, change – we are all for change. We want to see him change, her change, them change. We want to see the organization change. We want to see everyone else change. Yes, we are all for change as long as we don't have to change, but it is a fact of life; we all are changing everyday. Our environment is changing, our culture is changing, and the way we work is changing. We have three options:

1. We can fight it and delay it, but you will change eventually.
2. You can ignore it and hope it will go away, but it will not, and you will be overcome by it.
3. You can embrace it, look forward to it, and you will find your trip through life much more interesting, controllable, and enjoyable.

As the old saying goes, “There are three things that are for certain – death, taxes, and continuous change.” So why fight it? It will happen. All we can do is:

1. Put it off for as long as can.
2. Change as little as is required.
3. Get out in front, leading the change, rather than being forced to change.

In Price Pritchett's book entitled The Employee Handbook for Organizational Change, it states:

“It is pretty obvious to people that the stress of a rapidly changing organization can be difficult and unpleasant. What's not so clear to us sometimes is how much trouble we're in for if the organization fails to change.”

THE IMPACT OF NOT MANAGING CHANGE

- Through 2005, 40 percent of global enterprises will wrestle with change initiative portfolios that exceed their capacity for change, resulting in failure rates in excess of 60 percent (0.7 probability).

- Through 2005, 75 percent of enterprises contemplating widespread change will fail to adequately consider their organizational ability and willingness to adapt, ignoring the root cause behind over sixty percent of initiative failures (0.8 probability).
- Through 2005, 65 percent of change leaders will fail to recognize the need for stability forces when subjecting the enterprise to radical transformation, indirectly contributing to undesirable levels of change resistance (0.8 probability).

As the Gartner Group states,

- “Research confirms that as much as 60 percent of change initiatives and other projects fail as a direct result of a fundamental inability to manage their social implications.
- This lack of understanding typically manifests itself in dysfunctional behaviors which, taken to an extreme, causes a downward spiral in organizational vitality and competitiveness – a spiral the organization can’t pull out of because it does not understand the cause.
- Enterprises contemplating organizational transformation should first acquire formal change management competencies and develop the organizational discipline to perform cultural due diligence.”

WHAT IS CHANGE?

Human beings are extremely control-oriented. We feel the most comfortable when our environment is controlled, stable, and predictable and when our expectations are being met. In fact, the definition of the term *status quo* is “when expectations are being met”. We may not like the environment we are in, but we know it, we understand it, and we have adjusted to it. Change occurs when this balance shifts and expectations are disrupted. So *change* can be defined as “a disruption in your expectation”. When this happens, the four Cs take place. They are:

- Competence – You question whether you will be competent to exist in the new changed environment.
- Comfort – You no longer feel comfortable because you do not understand what is going to happen to you.

- Confidence – You lose your confidence because someone else is defining what is going to happen to you.
- Control – You have lost control of the situation.

If you came into your office one morning and your desk and chair were gone, that would be a change. Just think about your emotions and how you would feel. Would you be upset and yell at your manager or your secretary saying, “Who took my desk and chair?” Would you stop being productive? Would you start to fear that maybe you were fired and somebody forgot to tell you? Sure, all of these things happen and they all happen in the change environment. When the four Cs occur, stability in the organization is low. There is a high level of stress. Productivity decreases, anxiety runs high, fear is bred into everyone, and there is an increased level of conflict between all the employees.

THE THREE PARTS OF CHANGE MANAGEMENT

There are three parts to change management.

1. Defining how the organization needs to change – developing Future-State Visions
2. Defining what the organization needs to do to change
3. Managing the organization’s change process

FUTURE-STATE VISION STATEMENTS

The organization has control over relatively few things. They do not control the economy, their customers, their competition, their suppliers, government regulations, the stock market, the weather, etc. The only thing that the organization can change is the environment within the organization. Most organizations take a piecemeal approach to improvement and change. They follow the crowd, doing what everyone else is doing. We are a fad culture. Company X puts in CRM so we need to do it. GE does Six Sigma, so let’s do it, (whatever it is)! Sprint is outsourcing IT, so it must be a good thing for us to do, too. We are like a boy in a candy shop that does not have to pay for the candy. Everything looks good, so gather it up and devour it quickly before the next tempting morsel comes along. The result, of course, is a very sick boy.

What we need to do is to define the organization's key internal business drivers. There are generally eight to ten key internal business drivers in most organizations. Typical business drivers are:

- Measurement drivers
- Leadership and Support drivers
- Training drivers
- Customer Partnership drivers
- Business processes drivers
- Training drivers
- Knowledge management drivers

Once we have defined the key internal business drivers, an assessment should be conducted to determine the present status of each of these business drivers.

Next the executive team should set aside one or two days to develop a set of preliminary vision statements for each of the key business drivers. Their vision statements will define how the business drivers should evolve over the next three to five years. To accomplish this, the meeting should be held off-site in a sterile environment where no one is interrupted by telephone calls. The time during the day discussing visions is important, but equally important are the evening activities when the executive team gets to socialize and informally interact with each other.

These preliminary vision statements reflect the way management interprets the data they have and the way they picture the evolution of the organization's environment. However, management is only a small part of the people who are affected by the vision statements. There are more than three other stakeholders that need to influence these vision statements. They are:

1. The Customer
2. The Employee
3. The Supplier and Alliance Partner

So that the total organization is involved, each member of the executive team should pull together focus groups of his or her employees and present the preliminary vision statements to them, asking questions like:

1. Is this the type of environment you would want to live in?
2. Is this different from today's environment?
3. Do you understand the vision statement and what each word means?
4. How could it be improved?
5. Do you think it is achievable?
6. What would keep us from achieving it?

Procurement should ask major suppliers to attend a focus group meeting where all of the vision statements are reviewed, but most of the supplier focus group time would be directed at the supplier partnership vision statement. Sales and marketing should do the same thing for their customers with particular emphasis focused on presenting the customer/partner vision statements. With both the suppliers and the customers it is better to review the vision statements with too many, rather than with too few.

When the results of the focus groups are available, a second meeting of the executive team is held to develop the final vision statement. At this meeting the executives represent their functions, rather than themselves. Based upon my personal experience in this process, the results of the second meeting is a final set of vision statements that are significantly different than the preliminary vision statements. The following is a typical vision statement for leadership and support:

A typical vision statement for leadership and support

Management fosters an environment of open communications where opinions and suggestions are encouraged and valued: visions, plans, and priorities are shared throughout the organization.

Management provides the necessary time, tools, and training for employees which enables everyone to contribute their personal best towards the mission of the organization.

Teamwork is stressed. Decision-making is accomplished at the lowest appropriate level. Bidirectional feedback occurs on an ongoing basis process.

A typical vision statement for operating process

Major processes are documented, understood, followed, easy-to-use, prevent errors and are designed to be adaptable to our stakeholders changing needs. Staff uses them because they believe that they are more effective and efficient than the other options. Technology is effectively used to handle routine, repetitiveness, time-consuming activities, and bureaucracy from the process.

A typical vision statement for culture

“Our culture is built upon mutual trust and respect, integrity, professionalism, accountability and commitment to shared vision, mission, values, and responsibilities that promotes receptiveness to new ideas, open and effective communication, healthy interpersonal relationships, and recognition of excellence.

DEFINE WHAT THE ORGANIZATION WILL DO TO CHANGE

The organization has now defined the status of each of its key internal business drivers and developed a verbal picture of how it needs to change over the next three to five years. To define what actions needs to be taken to move from the present state to the desired future state, the organization needs to identify what present conditions have a negative impact upon the key internal business drivers because the current problems must be solved before the key internal business drivers can start to change. Then the additional roadblocks that will prevent the transformation to take place needs to be defined. Transformation is defined as, “the orderly progress from one state, condition, or action to another”. This list is prepared separately for each key internal business driver.

Now the challenge is to define which tools/methodologies will be used to negate these problems/obstacles and take advantage of the opportunities. In my book, Performance Improvement Methods, I identified more than a 1001 performance improvement tools or

methodologies. They range from the very simple to the most complex, from brainstorming to supplied change management, from Checksheets to Six Sigma and from Teams to Total Improvement Management. If the current status and the future state vision statement is the same, there is no need for any action plans and a number of the improvement tools can be set aside. (For example, if leadership and support present status and the vision statement is the same, over a 100 different tools can be eliminated from your toolbox.) These tools include teams, consensus making, self-managed work teams, and empowerment.

Key Business Driver Improvement Plans

For each of the key internal business drivers, there are subsets of the 1001 performance tools that can be applied the specific driver. The situation that these tools are designed to improve is then compared to the list of problems and roadblocks that was generated earlier. Many of the different tools are designed to correct the same problem and most tools will correct more than one problem. The challenge is to select a small number of tools that will correct the majority of the problems. Once the tools are selected, a plan to rollout each of the tools is developed for each of the key internal business drivers. (See figure 1.)

- Change management timing

Figure 2 is a combined three-year change plan.

Combined 3-Year Improvement Plan

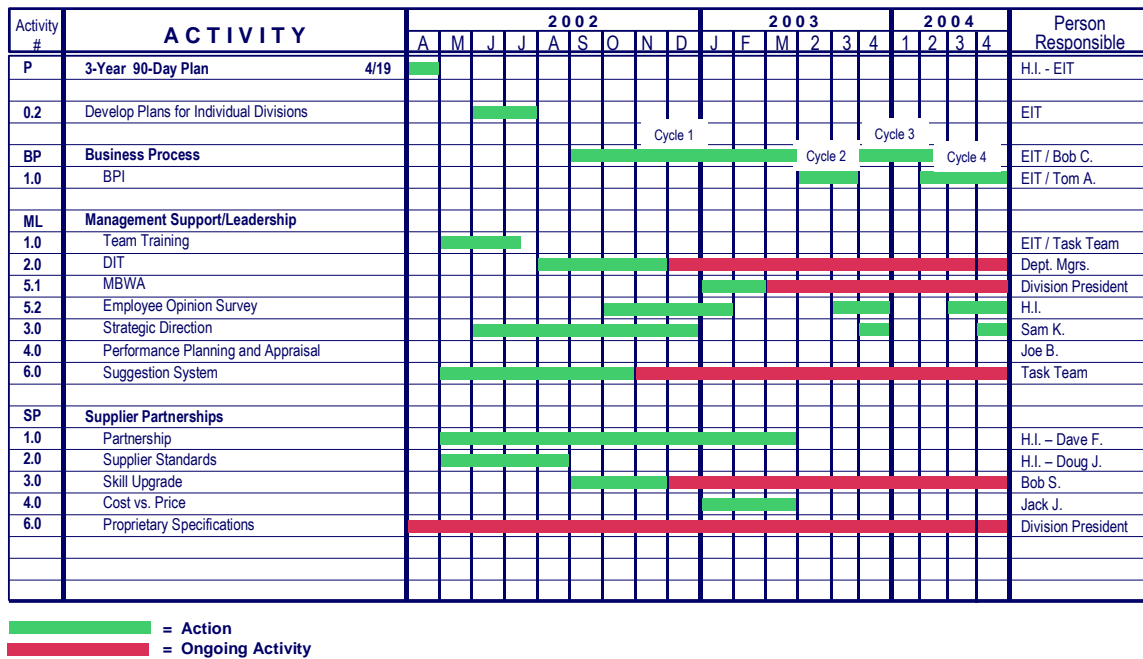


Figure 2. Combined 3-Year Improvement Plan

The biggest single mistake most organizations make is in trying to implement an improvement process too fast. Great care should be taken to balance the improvement effort and resources required within the other activities going on within the organization. Most organizations want to over-commit to the improvement effort at this point in time. In fact, it is much better to be conservative during the first year rather too aggressive. It is our experience that organizations already feel that they have a workload that is 110% of their workforce capabilities.

The combined three-year plan is the nucleus for a number of individual projects that are prepared and should be managed, using a standard project manager approach.

ORGANIZATIONAL CHANGE MANAGEMENT

To minimize the disruptive impact that change has on the organization, a methodology called *change management* is used. Change management is defined as a “comprehensive set of structured procedures for the decision-making, planning, execution, and evaluation phases of the change process”. It should be used whenever a major project is undertaken by an organization.

We can think of change truly as a process, just like any of the processes that goes on within the organization. It is the process of moving from a present state or as-is state through a transitional period that is extremely disruptive to the organization to a future desired state that someone believes is better than the as-is state. (See Figure 3.)

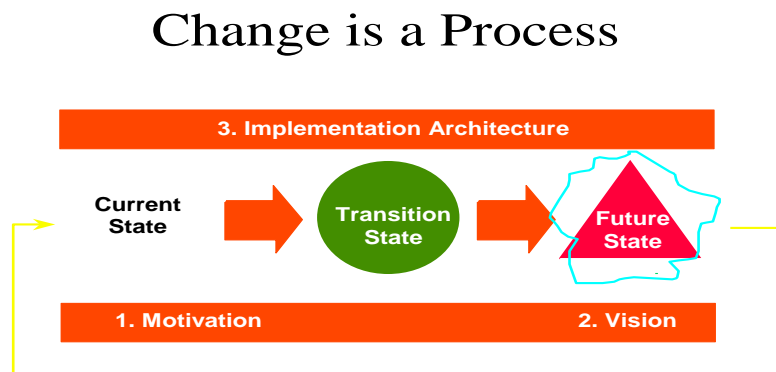


Figure 3. Change is a Process

Pain Management

One of the tools used in change management is called *pain management* and applies to the change process. It is easy to understand that an individual is not going to move out of the present state towards to the future desired state unless, from his/her standpoint, there is more

pain associated with the present state than the pain that he/she will be subjected to during the transitional period and the pain that will remain with him/her during the future state. Now you would think that employees would have an excellent understanding of the pain related to the present state, and that is partly true. They do understand the pain related to the job as it is today, but management has to help them understand the pain that they will be subjected to if they do not change. If the processes remain as they are, it could mean that the organization will lose market share, job security, and that the organization's very survival may be in jeopardy.

What the organization needs to do is to help employees understand that they are on a burning platform and that it is imperative that they jump forward to embrace the change initiative. The term *burning platform* comes from a story about an oilrig that was on fire in the North Sea. A worker was trapped on the oilrig about 300 feet in the air. He was looking down on the water, which was aflame with burning oil. He thought to himself, "If I jump, I will probably be killed in the fall. If I am not killed in the fall, I will probably be burnt to death, and if I am not burnt to death, my chance of survival in the freezing water is very slim." Eventually he jumped. A boat came in, pulled him aboard, and got him to a hospital ship. He was burned from head to foot. As he lay there in bed, a nurse asked him, "Why did you jump with so many things going against you?" His answer was, "I knew I would die if I didn't jump." Truly, we have to create a burning platform that will cause our employees to embrace the change opportunities.

Future-State Vision

The other part of helping employees make the decision to jump is related to painting a very clear vision of the future desired state. This vision has to address items like: What would the business processes look like? What are the technology, process, and the people enablers? People need to have answers to questions like,

- Why is this change necessary?
- What's in it for me?
- Why is it important to my organization?
- What is the downside to the change?

Once we provide them with a good understanding of the pain related to the present state and a good understanding of the future state, the employees are in the position where they can weigh in their own minds the advantages and disadvantages to them related to the change. At that point they will make a decision to move forward or to resist your change initiative.

The burning platform approach defines a situation in which the major cost of the status quo becomes prohibitively expensive. In such circumstances, major change is not just a good idea – it is a business imperative.

As William Bridges, author of Managing Transitions states, “Change only occurs when individuals make a choice to change. We have to establish with people that there is less pain in moving forward.” Lou Gerstner, past CEO of IBM, stated in Management Review that “change isn’t something you do by memos. You have got to involve people’s bodies and souls if you want your change effort to work.”

Emotional Response Cycles

Another very important tool in our arsenal of change management tools is Emotional Response Cycles. Basically, there are two response cycles that every employee cycles through as a result of change. They are:

1. positive response cycle
2. negative response cycle

The positive response cycle is the cycle that an individual goes through when they view a change as being positive to themselves and the organization. It is made up of five different states. (See figure 4.)

- State One - The uninformed optimistic state (certain)
- State Two - The uninformed pessimistic state (doubt)
- State Three - The hopeful realistic state (hope)
- State Four - The informed optimistic state (confident)
- State Five - Real state (satisfied)

The Emotional Response to a Positively Perceived Change

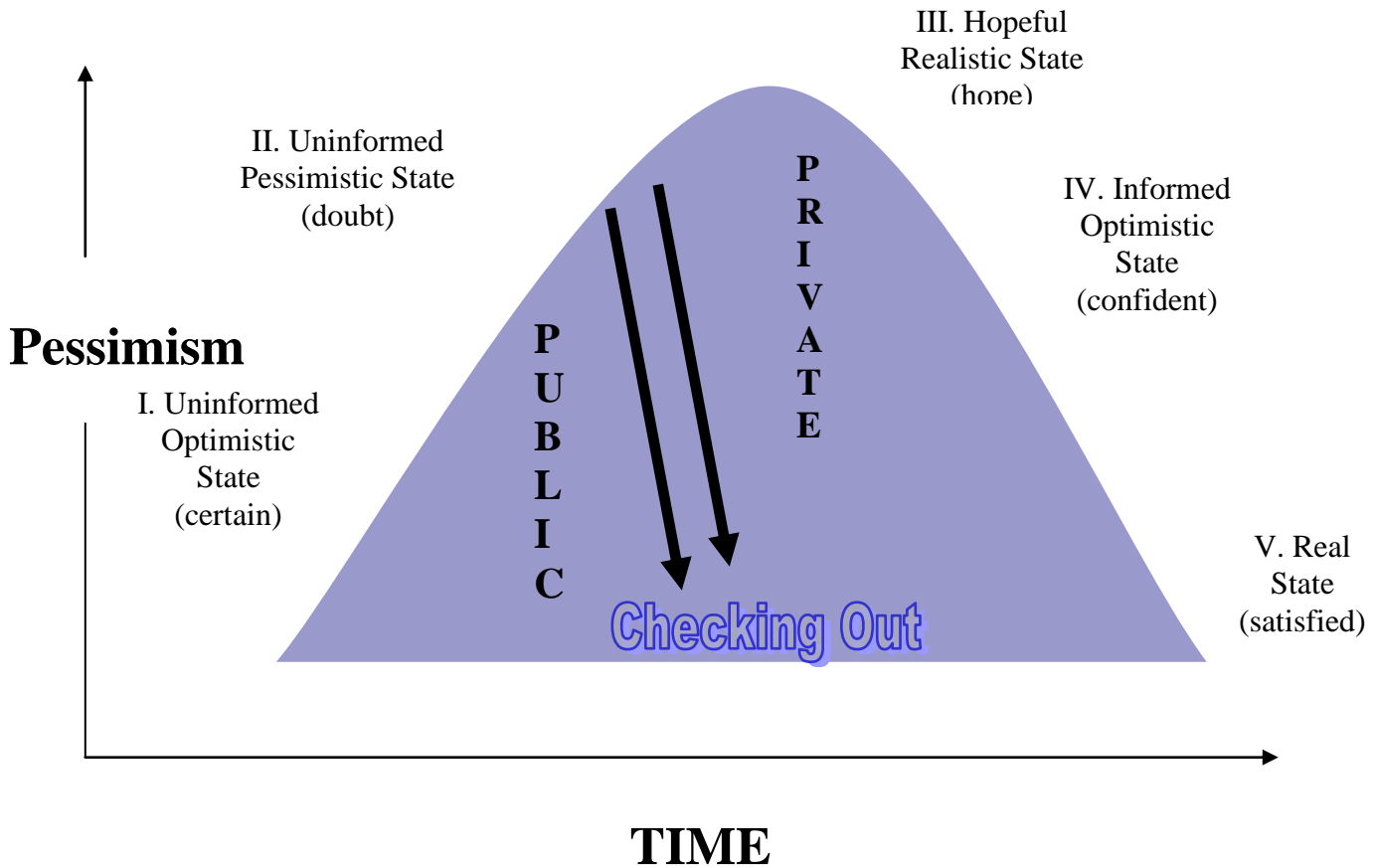


Figure 4. The Emotional Response to a Positively Perceived Change

In the positive response cycle there is one bailout point that is at State Two— The uninformed pessimistic state. At this point in time an individual begins to doubt that the change is necessary, is beneficial to him/herself, is going to produce the desired results. And so, they take a negative position on the change, not because the change is bad, but because they are uninformed about the details of the change. As a result, they bail out. They can bail out publicly telling management and everyone else that the change is no good and will not work. The public bail out position allows management the chance to reason with the employee and explain why the change is necessary. However, often employees bail out privately just talking to their friends and other employees about how bad the future state condition will be. If this happens with your employees, they develop a fifth column whose sole objective is to prove that the change is bad for the organization.

Let me give you a personal example. There was a decision to move my office from the center of the building, down to the corner of the building. The new office had windows on two sides and I really work much more efficiently in the daylight, so windows are important to me, personally. From an uninformed optimistic state I was excited about the move and rushed home to tell my wife that I was getting a much bigger and nicer office. She asked me which side of the building the new office was on. I explained that it was on the south side. She quickly pointed out that the sun in the summer could make that a very hot office. I immediately moved into the uninformed pessimism state. For the next three days I went down to the new office and felt the windows a number of times, eventually deciding that I didn't want to move. I informed my industrial engineers that I was not interested in moving to the new office, but they explained that the paperwork had already been processed and someone else was scheduled to move into my office. There was nothing they could do about it. However, they agreed that they would move me into another office as soon as one was available. Well, I moved in and was delighted to find out that there was an air-conditioning thermostat in that office that controlled the temperature in that office, so it never got too hot or too cold. The end result was that I refused to move when another office was available because this new office exactly fit my needs.

The negative emotional change cycle consist of eight different states. (See figure 5.) They are:

- State One - Stability

- State Two - Immobilization
- State Three - Denial
- State Four - Anger
- State Five - Bargaining
- State Six - Desperation
- State Seven - Testing
- State Eight – Acceptance

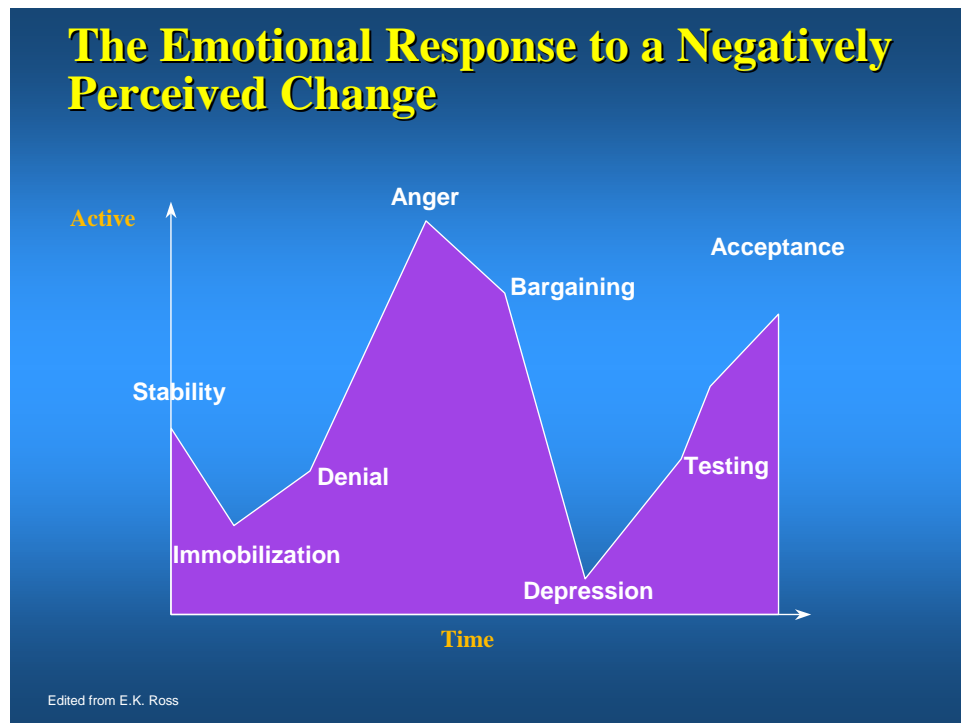


Figure 5. The Emotional Response to a Negatively Perceived Change

This is sometimes called the *death cycle* because it is exactly the same cycle you go through when someone that you care for passes away. You can see that there are a number of bailout points during these eight states that have to be managed. Unfortunately most managers and employees do not understand the emotional cycles that accompany organizational change, and as

a result, they do not know how to handle the bailout points, causing a great deal of disruption within the organization.

Building Commitment

Building commitment within all of the projects' stakeholders is essential, but few project managers seem to understand how important it is and know how to do it. They also don't know how easily it can be eroded. The commitment process is made up of three phrases.

- Phase 1 – Preparation
- Phase 2 – Acceptance
- Phase 3 – Commitment

Each of these three phases represents a critical juncture in the commitment process. Each phase has a number of degrees of support (stages) for the change project. (See figure 6.)

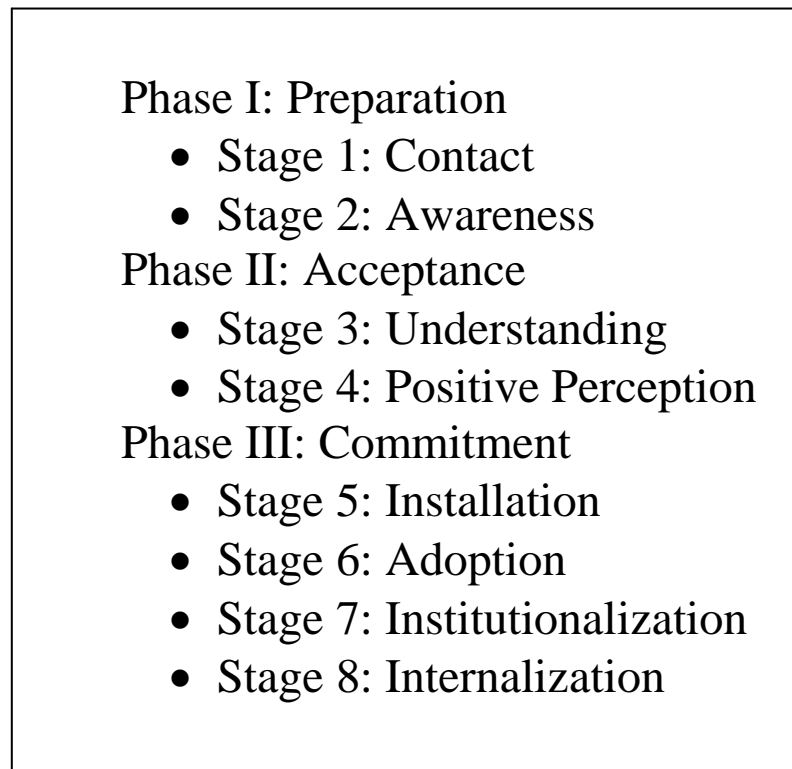


Figure 6. Commitment Model

As an individual or organization moves from one stage to the next, the commitment to the change increases. Also, the degree of effort and time required to invest in the change management process increases based upon the degree of commitment required to support the change project. Figure 7 depicts the pluses and minuses for each stage in the commitment model.

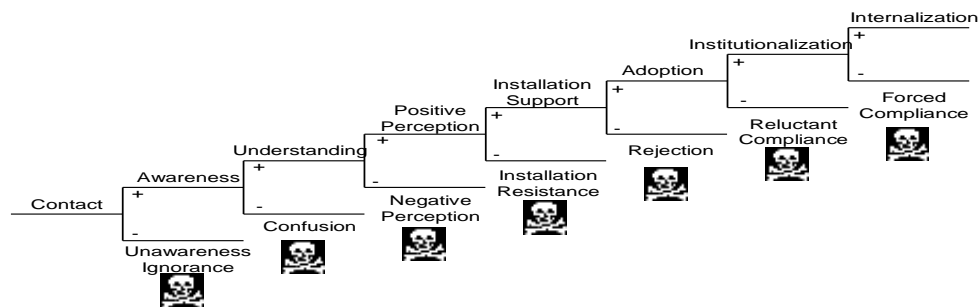


Figure 7. Stages in the commitment model: pluses and minuses

THE EIGHT CHANGE RISK FACTORS

There are eight risk factors that have to be managed during any major change initiative. They are:

1. Defining the cost of the status quo
2. Developing a clear vision
3. Obtaining sponsored commitment
4. Developing change agents and change advocacy skills
5. Understanding targeted responses
6. Aligning the change with the culture of the organization
7. Anticipating internal and external organizational events

8. Developing a sound implementation architecture.

The Gartner Group estimates that inexperience, overextension, or under-committed executive sponsorship will account for 50% of the enterprise change initiative failures. Fewer than 35% of the change management initiatives will include customized strategies for managing change resistors or leveraging early change adaptors unnecessarily constraining the organizations overall capacity. They also state that 75% of change leaders will employ one or more levers to help drive change without possessing even a rudimentary understanding of the implications, directly causing destructive organizational behaviors.

As Robert Kritgel states, “Unfortunately, many organizations go for buy-in on new processes or systems after they introduced it, and the results can be catastrophic.”

THE SEVEN PHASES OF CHANGE MANAGEMENT METHODOLOGY

To offset the many problems that occur if the affected employees are not made part of the project before it is being implemented, a seven-phase change management methodology has been developed that starts as soon as the project team is assigned. They are:

Phase I – Clarify the project

In Phase I the scope of the project and the level of commitment by management and the affected employees required for the project to succeed is defined.

Phase II – Announce the project.

In Phase II a tailored change management plan is developed and communicated to all the affected constituents. Preplanning and sensitivity to the unique needs of various groups will minimize disruption and set the stage for acceptance of the need for the change.

Phase III – Conduct the diagnosis.

During this phase surveys and other types of analysis tools are used (example, Landscape Survey) to determine what implementation barriers exist that could jeopardize the success of the change. This diagnostic data, coupled with the rich

dialogue that occurs during Phase II, provides the basis for developing an effective implementation plan.

Phase IV – Develop an Implementation Plan

The implementation plan defines that activities required to successfully implement the project on time within budget and at an acceptable quality level. Typical things that will be addressed in this plan are:

- Implications of status quo
- Implications of desired future state
- Description of the change
- Outcome measures
- Burning platform criteria
- Comprehensive or select application of implementation architecture
- Disruption to the organization
- Barriers to implementation
- Primary sponsors, change agents, target, and advocates
- Tailoring of announcement for each constituency
- Approach to pain management strategies
- Actions to disconfirm status quo
- Alignment of rhetoric and consequence management structure
- Management of transition state
- Level of commitment needed from which people
- Alignment of project and culture
- Strategies to improve synergy
- Training for key people
- Tactical action steps
- Major activities
- Sequence of events

Phase V – Execute the Plan.

The object of this phase is to fully achieve the human and technical objectives of the change project on time and within schedule. It is designed to achieve these objectives by reducing resistance and increasing commitment to the project.

Phase VI – Monitor Progress and Problems

The goal of Phase VI is to keep project implementation on track by consistently monitoring results against plan.

Phase VII – Evaluate the final results.

The intent of Phase VII is to provide a systematic and objective collection of data to determine if the tangible and intangible objective of the project have been achieved and to provide insight into lessons learned and potential problem area that may arise in future change projects.

CHANGE MANAGEMENT TOOLS

Change management includes almost 50 unique tools. Some of them are:

1. Cultural Assessment
2. Landscape Surveys
3. Change Agent Evaluation
4. Change History Survey
5. Change Resistance Scale
6. Overload Index
7. Predicting the Impact of Change
8. Role Map Application Tool
9. When to Apply Implementation Architecture

Figure 8 indicates where these tools can be used in each of the seven change management phases.

		Phases						
MOC Assessments, Planning Tools, and Training	Pre-Work[†]	I	II	III	IV	V	VI	VII
<i>Change Agent Evaluation (A)</i>	X			X				
<i>Change Agent Selection Form (A)</i>	X			X				
<i>Change History Survey (A)*</i>		X						
<i>Change Project Description Form (P)</i>	X	X	X	X	X	X	X	X
<i>Change Resistance Scale (A)</i>				X				
<i>Communicating Change: Project Analysis (P)</i>			X					
<i>Communicating Change: Constituency Analysis (P)</i>			X					
<i>Communicating Change: Statement Development (P)</i>			X					
<i>Communicating Change: Announcement Plan (P)</i>			X					
<i>Culture Assessment (A)</i>				X				
<i>Culture Audit (A)</i>				X				
<i>Expectations for a Successful Change Project (A)</i>		X						
<i>Implementation Plan Advocacy Kit (P)</i>					X			
<i>Implementation Plan Evaluation (A)</i>					X			
<i>Implementation Problems Assessment (A)</i>				X				
<i>Landscape Survey (A)*</i>		X		X		X	X	X
<i>MOC Training for Sponsors, Agents, Targets, and Advocates (T)</i>	X	X			X			
<i>Organizational Change Implementation Plan (P)</i>					X	X	X	X
<i>Overload Index (A)*</i>		X				X		
<i>Pain Management Strategies: Sponsor (P)</i>	X							
<i>Post Mortem Process **</i>								X
<i>Predicting the Impact of Change (A)</i>		X		X				
<i>Preliminary Implementation Plan (P)</i>					X			
<i>Role Map Application Tool (P)</i>	X	X	X	X	X	X	X	X
<i>Senior Team Value for Discipline (A)</i>		X						
<i>Sponsor Checklist (A)</i>		X		X				
<i>Sponsor Evaluation (A)</i>		X		X				
<i>Synergy Survey (A)</i>		X		X				
<i>When to Apply Implementation Architecture (A)</i>		X						
Pre-Work [†] — Used preliminary to starting Phase I. * This assessment tool is scored by ODR’s Diagnostic Services. ** This project-effectiveness evaluation tool is not MOC specific.								

Figure 8. MOC assessments, planning tools, and training

SUMMARY

Tarry B at writeme.com points out, “By 2008, enterprises which have consciously developed robust organizational change management competencies will realize a seventy percent greater capacity for rapid adaptation than competitors that have not. This is important because through 2005 only 35% of the global enterprises will demonstrate a consistent ability to think strategically, but act tactically in driving widespread organizational change.”

Daryl R. Conner, author, lecturer, and the world’s leading authority on organizational change, states, “It is inadequate to manage just project cost, schedule, and quality. Without managing the project’s social impact, most projects will fail to reach their full potential.”

Change management applies not only to our organization, but is a concept that can be applied to everything we do.