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***How Can Organisations Manage Internal Change
Successfully?***

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How Can Organisations Manage Internal Change Successfully?

I. Introduction

Although competitive pressures, globalisation, political and socio-economic uncertainties, and technological advances have pressed organisations to change at a more rapid pace than ever before, the real determinant of performance is the successful management of change, and not the change itself. Change can be worthless and even damaging to organisational performance if it is not managed and implemented effectively. An extensive study by Watson Wyatt of 7500 employees revealed a strong relationship between good change implementation and total shareholder return. Whereas organisations that excelled in change implementation had an average 3-year return of 102 percent, those that did not had a significantly lower return of 67 percent.¹

The single most important aspect of change management is the successful management of the people who are likely to be affected by the change. However, a major misconception in the corporate world is that change management should deal primarily with processes, systems, technology and finances. In fact, organisations have failed miserably in the past because they underestimated, and in some cases totally neglected, the importance of managing people through change. Researchers at the Harvard Business School found that only 30% of the change projects of organisations in the Fortune 100 between 1980 and 1995 led to an improvement in bottom line results that exceeded the cost of capital and only 50% led to an increase in share price. And yet each of the companies that were studied invested as much as \$1 billion in change programmes over that 15-year period.

The issue of change management must be addressed urgently, particularly as the competitive demands of the current business environment are accelerating the pace and widening the scope of change and are requiring organisations to be more flexible than ever before. It is therefore imperative to create a framework that will facilitate the change process during every stage of the transitional period as well as in the post-change phase.

Organisations often have to deal with similar types of challenges when undergoing internal change, regardless of which industry they are in. The change process needs to take place without compromising owners, employees, or customers. In other words, they

¹ Patricia A. McLagan, “*Change Leadership Today: Changes Abound, but You Have the Power to Make Change Work for You and Your Organisation*”, **Training & Development**, November 2002

all need to emerge as winners. This report will provide recommendations for the successful management of organisational change.

II. A Few Facts on Organisational Change

The types of changes that organisations have been concerned with in recent years have varied widely but have always reflected the demands of the four key areas of an organisation: people, process, structure and technology.

A recent study by The Conference Board revealed that the most common change initiatives underway include change in business process (89%), organisational structure (76%), and behaviour (68%).²

In particular, organisations have focused on the following changes in the past 15 years:

- mergers and acquisitions
- downsizing
- restructuring and reengineering
- internal and external growth
- global expansion
- outsourcing
- implementing information systems
- decentralising the operational and strategic decision making process
- changing the management structure
- creating sophisticated human resources practices such as productivity-enhancing performance management and reward strategies.

While these changes differ widely from each other, they can all have a considerable impact on employee roles, service delivery and customer satisfaction.

Yet despite the recent global epidemic of change implementation, organisational change has had a very high failure rate. Around two-thirds of total quality management initiatives show no positive results after two years.³ This should be a source of grave concern for organisations that are thinking of implementing change.

² Gregory R. Guy, Karen V. Beaman, “*Effecting Change in Business Enterprises: Current Trends in Change Management*”, **The Conference Board**, 2005

³ Patricia A. McLagan, “*Change Leadership Today: Changes Abound, but You Have the Power to Make Change Work for You and Your Organisation*”, **Training & Development**, November 2002

III. Tips for an Effective Change Management Approach

Once organisations make the decision to carry out a change, they should turn their attention towards management and implementation. The following tips can help them increase the likelihood of success of their change initiative.

(1) Identify the Change

An organisation must not implement a change unless this change is going to have a measurable positive impact on overall organisational performance. In identifying the change, the following questions must be considered: Will the change affect employee morale? Will it destabilise the workforce? Will it increase productivity and improve customer service? Will it improve bottom line results? Can the resources be better used elsewhere?

All these questions must be answered before an organisation can agree to proceed with a particular change. The impact of the change on external players including customers, partners, suppliers and competitors must also be considered.

(2) Produce a Detailed Strategic Plan

Once the change has been identified, strategic planning is the next crucial step towards successful change implementation. The strategic planning phase must define a clear and achievable goal and must describe a realistic way of reaching that goal. The plan and its achievability must also be re-evaluated on a regular basis.

There is no single formula for a sound planning approach but there are certain criteria that should always be considered regardless of what the change is. Planning for change should involve precise timeframes, specific manpower and staffing plans, revised incentive plans, targeted training programmes, cost-benefit analyses, far-reaching risk assessments, and contingency plans in the event of unexpected obstacles. According to Leonard Fuld, president of Fuld & Co., a competitive intelligence research and consulting firm, “at the end of the day, you need to believe in uncertainty to act upon it. Count on an uncertain future and, most importantly, plan for it.”⁴

The planning phase must target the entire change process from start to finish and must determine the size, scope and parameters of the change. This requires a thorough knowledge of the organisation’s strengths and weaknesses at various levels, including departmental, managerial and employee levels.

⁴ Leonard M. Fuld, “How to Anticipate Wrenching Change: CEOs Can Avoid Being Blindsided if they Heed Key Signals”, **The Chief Executive**, August-September, 2004

(3) Persuade Employees of the Need for Change

The announcement of an organisational change can have a significant impact on the workforce. It can lead to negative emotions such as fear, anger, confusion, disorientation, anxiety and depression, and it can create a loss of motivation and loyalty as well as an obstructive resistance to change. These emotions can have a direct impact on the daily activities of employees, resulting in greater absenteeism, the loss of key people, and a substantial fall in productivity and service delivery. This can lead to the slowing down of the transition phase and can divert the change process away from its right course, thus leading to the failure of the change initiative.

Therefore, the most important part of the communication process is convincing concerned employees of the need for change. In order to win the acceptance and support of the company's workforce and to encourage people to work towards a common goal, senior managers need to explain clearly the objectives of the change process and should be honest about the impact it will have on employees and their roles.

Senior managers can facilitate the process of convincing people of the need for change by providing objective data and numbers to support the case for change. By understanding the logic behind the decision to implement an internal change, employees are more likely to actively support it.⁵

Whenever possible, organisations should involve workers in discussions about business objectives and should welcome their feedback through questionnaires, interviews and meetings. Seeking employee input and feedback allows organisations to gather valuable information that can be used to facilitate the change process and improve its efficiency. It also allows employees to continue to deliver the same standards of service delivery and assistance to customers.

Ursula Stroh, senior lecturer at the University of Technology in Sydney, explains: "The attitudes and loyalty of employees are directly influenced by their participation in communication efforts, and this has a direct influence on how they treat customers and clients, which in turn leads to growth of the bottom line."⁶

(4) Introduce Measures to Attract and Retain Qualified Employees

Although it is essential for companies undergoing changes to have the right team in place in order to maintain their competitive position in the market, it is not always easy to establish and sustain a winning team. In order to achieve that goal, companies need to

⁵ Mark Henricks, "A New Leaf: if You Want to Make Changes to Help Your Business Soar, You've Got to Win People Over First", **Entrepreneur**, November 2004

⁶ Tamara L. Gillis, "In Times of Change, Employee Communication is Vital to Successful Organisations", **Communication World**, March-April 2004

implement effective recruitment and retention strategies. Losing key people can be disastrous to a business, particularly when a major change is being implemented, and can signify the loss of customers as well as the loss of valuable knowledge and expertise.

To help organisations identify their key people and poor performers, formal performance reviews should be introduced. These reviews, which are usually held once or twice a year, should revolve around three main topic areas: (i) setting clear individual goals and aligning them with corporate goals, (ii) devising an employee development plan, (3) reviewing past performance and developing ways to improve it. Individual performances need to be assessed against the organisation's strategic goals and should be the determining factor of who stays and who goes. If firms cut their people indiscriminately across all divisions, they will drive away some of their best people. As for the remaining top performers, they are more likely to leave the company themselves than to wait around until they are pushed out.

Companies need to find creative ways of convincing their key people to remain in the firm. Incentives for employees should involve much more than offering a competitive pay package. Effective non-monetary incentives should also be provided such as training and development, challenging and interesting work content, more responsibility for workers during the change process, and more time off.

(5) Provide a Retention Bonus

Retention or “stay” bonuses are increasingly being administered to talented people at all levels of the organisations (top, middle and bottom), particularly during times of major change or crisis. Human resources professionals are recommending the use of “stay” bonuses in the case of mergers, acquisitions, restructurings, and major re-engineering projects. When administered carefully and selectively, retention bonuses can help organisations hold on to key people who can contribute substantially towards the change process, particularly during the transition phase.

A retention bonus works best when it is implemented as part of a broader change management strategy which also incorporates qualitative or “intangible” factors that are important to employees. Recognition does not always need a financial seal to be appreciated. Non-monetary rewards can also be granted to show due recognition to employees, as described in the previous section. This will help to keep employees motivated and will encourage them to contribute positively towards the change process, instead of having them simply remain in their jobs for a little while longer.

(6) Remove Non-Compliant Employees

Even if the potential benefits of a proposed change have been communicated honestly and extensively to the workforce, there will always be some employees who will continue to resist the implementation of the change initiative. Their refusal to accept or participate

in the planned change will hinder the transition process and will put the change project at risk. In this case, it is necessary to let those people go in the interest of the organisation as a whole.

Ursula Fairbairn, senior vice president at Union Pacific Corp, explains: “They will, in time, be left behind. While they will be given every chance, eventually they will not be on the team. And since there is no free lunch, they will ultimately leave the organisation.”⁷

(7) Remove Underperformers

One of the biggest impediments to a successful change process is an inefficient workforce. In fact, according to major new research by the SHL and The Future Foundation, based on surveys of 700 managers across seven countries, managers waste 34 days a year dealing with underperforming employees. Senior executives have stated that they waste over an hour a day managing incompetent people.⁸

When a major change is being implemented, the problem of managing underperformers becomes magnified as the latter can seriously threaten the success of the change initiative. Underperforming employees must not be involved in the change process. While organisations can take measures to help them improve their performance levels in the long-term, they cannot afford to deal with them during the implementation of a major change

(8) Educate the Workforce on New Work Practices

Organisations that are incorporating internal changes should provide targeted training programmes to employees at all levels of the organisation, including senior executives, middle managers and mainstream employees. Training should focus on all aspects of the change process in order to encourage a better understanding of the key issues that arise during the transition phase. The training should focus on the implications of the change effort for the company, its effects on employees at all levels of the organisation, and its impact on working practices and organisational structures.

Employees must be educated on new work practices and on how to work in a new environment brought about by a specific change. Training should also be offered to senior staff in order to promote more effective leadership during the course of the change.

⁷ Stephanie Overman, “*Managing in the Leaner Organisation – Cover Story*”, **HR Magazine**, November 1992

⁸ “*U.S. Companies Losing Thirty-Four Days a Year to Poor Performers*”, **Business Wire**, October 20, 2004

Employees may have to let go of their old way of doing things in order to embrace new skills that are required during the change process as well as in the post-change phase. Al Vicere, a management consultant and professor at The Pennsylvania State University, explains: “You have to get people to unlearn their old behaviour and then learn new behaviour”.⁹

(9) Formalise and Restructure Management and Organisational Processes

The lack of formal structures and organisational processes within a company can impede the company’s performance during the change process. Developing formal structures and increasing the number of organisational levels allows organisations to perform better than those that have not developed complex structures.

Formalising existing practices into more formal procedures, systems and policies allows the business to cope with the greater requirements of a shifting organisation. If a changing business is unable to cope with the increasing workload and demands that come with change, it will be unable to sustain efficient long-term expansion.¹⁰

A study by the University of Minnesota study, based on an analysis of 100 entrepreneurial technology-based ventures, found that the inability to create an infrastructure to sustain growth represents a significant obstacle to growth.¹¹

However, companies should also be aware that moving towards a more bureaucratic model can hold them back if the model is characterised by too much red tape and too many official rules, regulations, and procedures. In this case, the decision-making process and the information flow can be slowed down or paralysed during the change process.

It seems that many organisations have acted on the advice to formalise the change management process. An extensive survey by The Conference Board found that seventy-three percent of companies had achieved either modest formalisation (54%) or had formalised their change management process “to a great extent” (19%).¹²

⁹ Mark Henricks, “A New Leaf: if You Want to Make Changes to Help Your Business Soar, You’ve Got to Win People Over First”, **Entrepreneur**, November 2004

¹⁰ Sharon Nelton, “Coming to Grips With Growth”, **Nation’s Business**, February 1998

¹¹ Richard N. Cardozo, “Obstacles to Growth of New Technology-Based Enterprises”, Carlson School of Management, University of Minnesota, **International Association for Management and Technology (IAMOT)**, December 17, 2001

¹² Gregory R. Guy, Karen V. Beaman, “Effecting Change in Business Enterprises: Current Trends in Change Management”, **The Conference Board**, 2005

Furthermore, almost half the companies surveyed (48%) had already established a change management function somewhere in their organisation, and over a quarter of the rest expect to launch one within three years. Finally, the change management function tends to be most commonly located in the HR department (46%), followed by corporate headquarters (27%).¹³

(10) Encourage a Culture that Supports Continuous Change

In order to maximise the chances of success of a change initiative, organisations should work on building a culture that is change-oriented. The organisational environment should be based on shared values, common goals, regular communication, active participation of employees in the decision-making process, and should be supportive of continuous change efforts.

An organisation which possesses a change-oriented structure is more likely to thrive during the change process and to meet its change objectives, including financial benefits, higher employee morale, higher productivity levels and better retention rates.

(11) Involve the HR Department in the Change Process

The role of human resources is essential for the success of any major change or restructuring initiative. Human resources professionals can play a crucial part during each stage of the change process.

It is time for organisations to view the HR department as a strategic partner which can guide the change process on multiple levels, and not just as an administrative department with limited responsibilities. However, in order to become a key player in an organisation, the HR department needs to do more than just show senior managers that it can contribute effectively to the change process by helping to improve communications, resolve cultural issues, and motivate employees to be productive and remain in the company.

In order to convince senior managers that they represent an indispensable unit in the organisation, human resources executives need to be able to explain to them the economic impact of ignoring key change management and employee issues. Doing so will enable HR professionals to obtain high-level support and investment for tackling the complex factors which affect the performance of a change project.

As Mark Drizin states: “It’s still shocking to learn how few human resources professionals are able to explain the ROI of ‘doing the right thing for employees’, both on

¹³ Ibid.

the cost side and the revenue side of the balance sheet, to their companies' management teams.”¹⁴

Fortunately, it seems that organisations are increasingly involving their HR resources in the complex world of change management. According to a recent survey by The Conference Board, most of the organisations that have a formal change management function in place tend to have it located in the HR department (46%), followed by corporate headquarters (27%).¹⁵

Human resources professionals can particularly add significant value to the change process in the following areas:

- Due Diligence
- Planning
- Managing Cultural Issues
- Improving the Communication Process
- Retaining Talented Employees and Key Players
- Guiding the Organisation Towards its Strategic Goals
- Guiding the Integration Process
- Turning Change Know-How Into a Core Competency
- Accelerating the Change Process

It is also the role of human resources to consider what will happen to compensation and incentive plans, staffing practices, training programmes and performance management systems under the new conditions brought about by the change effort.

(12) HR Should Guide the Integration Process

The integration phase of the change process is a key determinant of its success. This is the time when human resources professionals can put their change management skills to the test by guiding the integration phase of the change.

Since the transition/integration phase is a risky time in the change process, it needs to be managed with great care. Having a carefully selected transition/integration team to facilitate the transition process can significantly increase the success of the change.

Integration teams can play a big part in facilitating the merger process and in helping the merging organisations manage internal changes successfully. Those integration teams should include HR experts, as well as professionals from the business units of the

¹⁴ Marc Drizin, “*Employees: Recruitment, Retention and Loyalty*”, **Walker Information**, February 28, 2002

¹⁵ Gregory R. Guy, Karen V. Beaman, “*Effecting Change in Business Enterprises: Current Trends in Change Management*”, **The Conference Board**, 2005

organisation that are critical to its success, including finance, sales and marketing, and operations. In fact, HR professionals should help to identify which people from these business units are suitable to become part of the integration team. It is essential that integration teams operate full-time, even if this means that some key people will be diverted away from their usual day-to-day business activities.

(13) Promote Change Leadership

Organisations must encourage a culture of change leadership internally in order to assert leadership externally. Today's turbulent business environment is characterised by a continuous race between competing businesses. Organisations must seize existing opportunities and create new ones in order to thrive. To reap the full benefits of change, they must also have a systematic change leadership approach that will enable them to react with agility and speed to changes within and outside the organisation.

Strong leadership is essential during the entire change management process and should begin as early as the identification of the change itself. PricewaterhouseCoopers' survey of 347 senior Government executives revealed that the ability to manage change effectively was seen to be a key skill that successful leaders need to have in the future.¹⁶ A recent benchmarking study by Development Dimensions International (DDI) also found that effective leadership has a significant impact on the bottom-line figures of an organisation, including revenue growth, productivity, profitability and market value.¹⁷

The following leadership features are essential during the change process:

- ***Support for the Change Process***

A change initiative can only be successful if it has the full backing of the organisation's senior management. Support and encouragement from the top will have a trickle-down effect on the rest of the organisation, and will encourage the various levels of management and personnel to accept the change.

Support from the top also helps employees understand the potential benefits of the proposed change. The support of middle managers is also important in reassuring employees about the change initiative. Since middle managers are more accessible to lower-level and junior employees, their support of the change programme will reassure employees and bring down their fears.

¹⁶ "Federal Executives Embracing New Vision of Key Leadership Traits, PricewaterhouseCoopers Endowment for the Business of Government Survey Finds", **Business Wire**, June 23, 1999

¹⁷ Paul R. Bernthal, Sheila M. Rioux, Richard Wellins, "The Leadership Forecast: A Benchmarking Study", **Development Dimensions International (DDI)**, 1999

If organisational leaders do not voice their active support of the change initiative, the likelihood is that the rest of the organisation will not accept it either, and this can lead to an inefficient change process characterised by employee opposition and obstruction.

- ***Speed and Flexibility***

In today's turbulent environment, leaders must be able to react with agility and speed to changes within and outside the organisation.

PricewaterhouseCoopers' survey of 347 senior Government executives revealed that the ability to manage change effectively was seen to be a key skill that successful leaders need to have in the future. As many as 72% of senior executives named adaptability and flexibility as the most important traits of future leaders.¹⁸

Leaders need to have the ability to make decisions quickly, even if they do not have all the relevant information. Decisiveness and speed are key features of reacting to and managing change effectively. A three-year survey by the Worthing Brighton Press (*Management Masters Survey*) which looked to identify the key skills needed for effective leadership in the new evolving economy, found "the willingness to be flexible and the capacity to be fast" to be one of the skills necessary for effective leadership in the new economy. The survey also identified "the ability to make decisions in conditions of extreme ambiguity" as another key skill required for success.¹⁹

James Copeland, former CEO of Deloitte & Touche explains the importance of speed in managing change: "I tell our young partners that the point of optimum performance always approaches the point of loss of control. It's like a Formula One race car on a curve; the faster you go, the more of an uncontrolled skid you're in when you hit the corners. Why don't they just slow down? Because they're in a race. Businesses are in a race, too."²⁰

- ***Vision and Strategic Thinking***

The Office of International Student Affairs (OISA) defines a vision as: "An inspired commitment from the heart; it is extraordinary – a stretch or breakthrough, not reasonably predictable; it has a future-building focus, rather

¹⁸ "Federal Executives Embracing New Vision of Key Leadership Traits, PricewaterhouseCoopers Endowment for the Business of Government Survey Finds", **Business Wire**, June 23, 1999

¹⁹ Peter Haapaniemi, "Leadership in the New Economy", **The Chief Executive**, July 1, 2000

²⁰ Ibid.

than a focus on survival or fixing problems; it is a contribution, a benefit to and for the world; it is stated as a result, not an activity.”²¹

In order to lead their company successfully, leaders must have a clear vision for the firm and must also possess the ability to think strategically. According to a study by Accenture in which 75 business leaders and potential leaders in the US, Europe, and Australia were asked to look 5 to 10 years into the future, “creating a shared vision” ranked first as a priority for future leaders.²²

Furthermore, according to the Worthing Brighton Press’ *Management Masters Survey*, a well-developed personal vision and the ability to sell that vision was found to be a key skill needed for effective leadership in today’s evolving economy.²³

Without a clear vision, people will follow different routes in pursuit of different agendas and objectives instead of working towards a common goal. Strategic planning and strategic decision-making are different in nature in today’s economy than they were in the past. They are no longer rigid and finite processes based on 3-year or 5-year plans, but rather continuous processes which often need to be changed or adjusted in order to respond effectively to the changing demands of a fast-moving business environment.

Deloitte & Touche’s former CEO, James Copeland, explains: “It’s like one of those gag birthday candles that you blow out and two seconds later it flames back up – that’s the way strategy is now. It’s never over. It’s never done.”²⁴

However, the ability to think strategically is not enough. In order to be successful, leaders also need to possess the ability to implement business strategy effectively in order to produce superior business results. According to an A.T. Kearney survey, the ability to develop and implement business strategy was cited by 76% of managers as an essential skill for success.²⁵

²¹ “About Leadership”, **The Office of International Student Affairs (OISA)**

²² John Mcclenahen, “Future Profile: Study from Andersen Consulting’s Institute for Strategic Change Identified Characteristics of Business Leaders of the Future”, **Industry Week**, September 20, 1999

²³ Peter Haapaniemi, “Leadership in the New Economy”, **The Chief Executive**, July 1, 2000

²⁴ Ibid.

²⁵ “Digital Economy May Change, but Attributes of Leader Don’t, According to A.T. Kearney Survey”, **News Release**, November 8, 2000

- ***Incorporate EQ in Change Leadership***

The Emotional Intelligence Quotient (EQ) is increasingly being recognised as a key component of an effective change leadership strategy. This management technique, which involves connecting with people and forming positive relationships, has been shown to help improve employee satisfaction levels and increase productivity, as well as to help leaders form important relationships within and outside the organisation.

Although a management approach that requires leaders to be “touchy / feely” can make people cringe, it has been proven to bring positive gains to the business.

The higher people are in the organisational hierarchy, the more important the EQ becomes, as the job becomes more reliant on forming relationships and nurturing those relationships into mutually beneficial alliances. The Emotional Intelligence Quotient becomes particularly relevant when changes are being implemented within the organisation since the change effort affects the emotions and perceptions of employees.²⁶

- ***Drive Change***

Leaders must create change opportunities and must be the drivers of change if they want to keep their organisation ahead of the competition. Good leaders understand that in order to retain their competitive advantage in the market, they need to initiate change, not just react to it, and must seize opportunities that are likely to improve the business performance of their organisation.

- ***Empower Others to Lead***

One of the greatest obstacles to change facing organisations is the leaders’ or the key managers’ reluctance to delegate responsibility to other employees in the organisation. Leaders often find it hard to give up control and to let other people in the organisation make major decisions about the business. The failure to delegate control to others can alienate employees and jeopardise the change process.

Leaders must encourage employees to develop new skills and qualities that will help them assume a greater role in the change management process. They must drop self-defeating “micro-management” and “command-and-control” techniques if they want to achieve a smooth transition.²⁷ As an organisation

²⁶ Robert McGarvey, “Final Score – Emotional Intelligence Quotient”, **Entrepreneur**, July 1997

²⁷ Peter Haapaniemi, “Leadership in the New Economy”, **The Chief Executive**, July 1, 2000

undergoes a major transition, changes need to be made not only within the organisation, but also within the leaders themselves.

- ***Improve the Communication Process***

A major component of good management is the ability of the top people to communicate effectively to employees at all levels of the firm. This is particularly important when internal changes need to be implemented within the company. According to A.T. Kearney's "*Leadership in the Digital Economy*" survey, 63% of the 1,300 executives surveyed cited communication skills as an essential personal trait for success in the digital economy.²⁸

However, as a business experiences internal change, it often leads to a disconnection between the key decision-makers and the rest of the company. A re-evaluation of the communication process needs to take place in order to re-involve all the employees in the mission of the company and to redirect them towards a common goal.

A survey by the Centre for Creative Leadership investigating management approaches in challenging times and periods of transition, found that the leaders that were most successful at managing change within their organisation had the ability to engage in honest and proactive communication, to listen to employees with sensitivity, and to explain clearly the reasons and necessity for those changes.²⁹

The survey findings show that although regular internal communication between people at all levels of the organisation is essential on a continuous basis, it becomes even more crucial when a planned change needs to be implemented as part of the company's growth strategy. Since the change is likely to affect the organisational structures and processes of the company, communicating the exact impact of the change on the workforce is important in order to minimise fear and resistance within the organisation and to reassure employees.

"Communications about the change should be frequent and with all organisation members. To sustain change, the structures of the organisation itself should be modified, including strategic plans, policies and procedures.

²⁸ "*Digital Economy May Change, but Attributes of Leader Don't, According to A.T. Kearney Survey*", **News Release**, November 8, 2000

²⁹ "*Survey By Centre for Creative Leadership Shows "Soft Skills" Make a Difference in Tough Times*", **PR Newswire**, January 14, 2002

The best approaches to address resistance is through increased and sustained communications and education.”³⁰

A 2005/2006 study by Watson Wyatt found that companies that communicate effectively have a 19.4% higher market premium than companies that do not.³¹ Shareholder returns for organisations with the most effective communication were over 57%t higher over the last five years (2000-2004) than the returns for firms with less effective communication.³²

(14) Seek External Advice

Often, the effective management of a company which is looking to implement major change requires asking for and welcoming outside help from external advisers or consultants. Resolving a problem in the company, or identifying and exploiting new opportunities, may require expertise and knowledge which does not exist within the company itself.

However, many small businesses are not comfortable with the idea of bringing in outside help, or having a board of outside directors, since they believe that it can come across as a sign of weakness or even incompetence on their part, and can appear as if they are unable to handle their own problems. Seeking external advice can also be seen to undermine the authority of organisational leaders and to interfere with their freedom to make their own decisions.

Leaders need to overcome their fears of bringing in people from outside, since an impartial, expert opinion is often needed to allow the business to change and grow efficiently and in the right direction.

(15) Build Relationships

At all times, but especially during uncertain times, organisations must build and maintain strong relationships both internally and externally. Alliances should be nurtured within various layers of the organisations and with external groups that allow the business to function including suppliers, vendors and customers.³³

³⁰ Carter McNamara, “*Basic Context for Organisational Change*”, **Free Management Library, Authenticity Consulting**

³¹ “*Effective Communication: A Leading Indicator of Financial Performance, 2005/2006 Communication ROI Study*”, **Watson Wyatt**, 2006

³² *Ibid.*

³³ Pierre Mourier, “*Tips for Managing Change in Uncertain Times*”, **Today**, April 2002

Pierre Mourier, Founder of Stractics Group, explains: “A client of ours in the construction and maintenance business is a good example of how to create external alliances. They have invented a concept they call the zippered relationship model. The model says that managers at every level of the organisation must identify counterparts in customer organisations, particularly during large and involved selling processes. This creates an impregnable set of relationships up and down the organisational layers; competitors would find it very difficult to break through. The concept can be used in different situations as well, including large and complex change projects.”³⁴

(16) Focus on Profitability

In times of change, profitability must remain at the top of an organisation’s priority list. However, organisations either put their long-term profitability goals on hold while they deal with the change process or they allow the change process to occur too quickly at the expense of productivity levels.

This is often the case when the change being implemented involves a significant growth or expansion of the business. A recent joint study by the Kauffman Centre for Entrepreneurial Leadership and Ernst & Young found that businesses which grow too fast can do so at the expense of their profitability.³⁵ The study was based on an analysis of 1,100 entrepreneurial businesses from various industries in 17 countries, all of which had previously received the Entrepreneur of the Year Award, a programme conducted by Ernst & Young. Although the study recognised that growing businesses were much more likely to succeed than non-growing businesses, it found that business expansion in itself is not enough to ensure long-term success and that it must be combined with greater efficiency and profitability in order to add sustainable value.

IV. Conclusion

Effective change management is a work of precision, careful calculation and close supervision. The change management process should begin as soon as a change is being considered and should only end with its complete implementation, a process that can take anywhere from several weeks to several years, depending on the scale and scope of the change.

Unfortunately, organisational change has had a very high failure rate until now. This is due to two main reasons. (1) First, organisations have been more concerned with incorporating changes quickly than with managing them effectively. (2) Second,

³⁴ Ibid.

³⁵ “Caution: Businesses Urged to Maintain Speed Limit, Says New Study by Kauffman Centre for Entrepreneurial Leadership”, **Business Wire**, May 7, 2001

organisations have neglected the importance of people management during the change process. Yet this aspect of change management is the most important determinant of success of a change initiative. Extensive research by Watson Wyatt confirms that organisations that have done a good job of implementing change had a higher level of employee commitment and engagement than those that were less successful.

There needs to be a major shift in the current thinking on change management in the business world. It is high time for organisations to acknowledge the evidence and to place people above systems and finances during times of change. Perhaps that Ursula Fairbairn of Union Pacific Corp is right when she says that “our greatest challenge may be changing ourselves.”³⁶

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³⁶ Stephanie Overman, “Managing in the Leaner Organisation – Cover Story”, **HR Magazine**, November 1992