Organisational Change Managment

Volume: #1 of 5

Bill Synnot, Recognised as a Leading Specialist/Practitioner/Guru in Organisational Change

"...To create an organisation for handling an increasingly turbulent, complex and uncertain world..."

Authors Preface

The environment that we are now facing is more global, multi-polar, multi-cultural, cross-generational, complicated, uncertain and volatile but less predictable. Part of this is due to the turbulent, discontinuous, accelerating pace of change imposed on today's individuals, organisations and communities. For example,

"...given the rapidly changing world of work - when new is soon old, fast is slow, private is public, focus is fragmenting, loyalty is decreasing, debate has devolved into sound bites and policies have become platitudes..."

Edward Hallowell, 2011

"...The rate of change over the past 20 years has been unstoppable......Governments have lost power, the media has lost power, brands have lost power: power has finally come to the people. All you need now is one piece of material from Cupertine (Californian home of Apple) and YouTube and you have got a worldwide audience..."

Kevin Roberts, Saatchi and Saatchi as quoted in Dominic White, 2013

"...In 1963, you needed permission from newspapers, radio stations and TV channels to reach an audience. Not any more..."

Dominic White, 2013

"...So you're got to be willing to drive the change rather than let the change drive you..."

Mark Scott as quoted by Dominic White, 2015

"...Change can be like a slow train but the force when it hits is still terrifying..."

AFRBoss June 2014

"...while change is never painless, technology means it's inevitable..."

Jordan Condo (Uber) as quoted by Rachel Botsman, 2014

At the same time, it is becoming harder to be successful and sustain success.

"...part of being successful...... is being comfortable with not knowing what's going to happen..."

Susan Wojcicki, CEO, YouTube as quoted by Jonathan Mahler, 2015

In fact, change is everywhere! Changes in technology, communication, environment norms, demographics, product lines, services, organisational structures, concepts of management, business frameworks, workplace protocols, marketing, consumerism, etc, demand that all organisations anticipate and respond quickly to a wide variety of new challenges. Thus

"...Change management is a core competency..."

Ann Sherry as quoted by Fiona Smith, 2009

Yet changing one's behaviour is hard, eg only 1 in 9 people who underwent heart surgery changed their life-style. Yet these people had the ultimate motivation, ie possible death.

Changing other people's behaviour is harder!!!!!! Changing a group's behaviour is even harder!!!!

It is not possible to handle or manage change, it is better to navigate it.

Furthermore,

"...change doesn'tcare much if you like it or not. So really, you don't have a choice. If you and your organisation are going to survive in this new world, you need to have the courage to break out of the old ways of doing things...?

Anders Sorman-Nilsson, 2010

"...History has shown that change only respects those who respect it. Accept and understanding change, and you become better prepared to manage and, at times, capitalise on it..."

Perpetual, 2011

"...Some people are damaged by change because they find it really, really hard to adapt, but some people are quite excited by change. You learn new things, you have to rethink how you do stuff...?

Sandra Levy as quoted by Sally Patten, 2013

"...change can be like a slow train, but the force when it hits is still terrifying...."
Joanne Gray, 2015e

Agility is a word associated with change management, ie people and organisations need to be agile to handle change. Also, you need behavioural plasticity, ie the ability to adapt to an environment.

Outcomes of what happens in the organisation depends on its reaction to what is happening externally. This reaction will depend on its history of how it reacted to similar events, the balance of power inside the organisation, etc

"The outcome"is not historically predetermined but contingent. The exact path of"development during these periods depends on which one of the opposing forces will succeed, which groups will be able to form effective coalitions, and which leaders will be able to structure events to their advantage"

Daron Acemoglu et al, (2012)

Small changes in the initial conditions can make significant impacts on the outcome.

Also, we need to be aware of what will not change, ie

"...I very frequently get to question: What's going to change in the next 10 years? And that is a very interesting question; it's a very common one. I almost never get the question: what is not going to change in the next 10 years? And I submit to you that the second question is actually more important of the two - because you can build a business strategy around the things that are stable in time......in our retail business, we know that customers want low prices, and I know that same will be true 10 years from now. They want faster delivery; they want vast selection...... when you have something you know is true, even over the long term, you can afford to put a lot of energy into it..."

Jeff Bezos as quoted by Bill Gurley, 2015

NB Much of management is psychology, ie reading the situation correctly, such as knowing when to lead, to delegate, to collaborate, to talk, to listen, etc

This publication comprises 5 volumes that cover

i) Background to change

(including general background, definitions, trends, ie impacts of neuroscience, social media, project management, etc), characteristics of high-performance organisations, fundamental forces that drive organisational change (motivation & persuasion, evolutionary physiology, human instincts, etc), ROI on a change project, common management errors, reasons why organisational change efforts often fail, limitations of using overseas change management frameworks, 60+ change management frameworks with detailed explanations, case studies)

ii) Seven essential ingredients for an organisational change

(can be used to plan, establish, develop, implement, check progress, audit performance, and monitor and evaluate an organisational change)

iii) The change implementation techniques

(around 70) for Ingredient 1 (laying the foundation for new ways)

iv) The change implementation techniques

(around 70) for Ingredient 2 (creating a sense of urgency)

v) The balance of 240+ change implementation techniques

for Ingredients 3 to 7; creativity; customer management; answers to pre-test and case studies; 1,300+ references and acknowledgments, etc.

The 5 volumes can be summed up by

"...There has to be a dissatisfaction for today, expectation for tomorrow, and help for them to change...?

Vineet Nayar as quoted by Fiona Smith, 2011a

At the same time, remember

"Change cannot be imported like a commodity; nor hatched as a secret plot; nor be like a bullet shot through a barrel of a gun. It is a state of mind, a feeling, a disposition that comes from the staff themselves. It involves changing perceptions, especially of power, and radically rethinking traditional approaches to running an organisation"

adapted by Bill Synnot, 2012 from a quote on representative democracy by Mexican democrat, Francisco Madero, (1873 ? 1913) in John Keane, 2011

It aims to provide a readily-accessible resource for anyone (in particular, practitioners) willing to address the issue of change in the workplace. The content is applicable to large and small enterprises, and is relevant to the private, co-operative, public and not-for-profit sectors, from the local situation to the global context.

While a cover-to-cover reading would reveal a certain amount of overlap and repetition, it is anticipated that most readers will dip into this publication from time to time and will not necessarily follow the sequence presented.

Change Management Masterclass started in 1996 as a workshop with an accompanying reference book; the content has been continually updated, expanded and refined to ensure that this resource remains at the cutting edge of current management and leadership discourse.

It is hoped that all participants find the workshop and the 5 accompanying volumes stimulating and useful in their endeavours to generate positive outcomes from the on-going evolution required by all successful enterprises, and that the package enhances understandings and strategic options.

I can be contacted to discuss any aspect of the Masterclass and volumes:

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NB Most professions develop jargon that is only understood by other people in the same professional group. This can be seen as a barrier to entry, because it is hard for outsiders to penetrate the profession or industry. Unfortunately, change management is no exception to this situation!!!! Thus except for commonly-recognised acronyms, such as k (thousands), m (million), b (billion), t (trillion), HBR (Harvard Business Review), AFR (Australian Financial Review), AHRI (Australian Human Resources Institute), AIM (Australian Institute of Management), CYA (cover your arse), online (it is delivering something through a website or mobile), digital (is giving customers in-store what they like online), RCL (Real Change Leaders), GFC (global financial crisis), IP (intellectual property) and PC (personal computer) every attempt has been made to keep professional jargon, acronyms, "gobbledegook" and "psychobabble" to a minimum!!!!!!!

Acknowledgements

As I have drawn on many sources of information and opinion that are in the public arena, I thank and acknowledge the people involved for their thoughts and contribution; all care has been taken to accurately represent and acknowledge others' views, work or research.

In particular, the contributions of Rosie Fitzgerald plus Jeremy & Odile Williams were pivotal in the development of the 5 volumes.

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Introduction

The approach used in this reference book (Volumes 1 to 5) is guided by this statement:

"...In complex non-linear, dynamic systems, order emerges out of chaos, and the details are unpredictable. You have to set the initial conditions for change and create the context.
But then you provide minimum specifications - just a few hard rules, which people can figure out how they are going to follow..."

Richard Koppel, 2004

This is especially true for large organisations as they

"...are far too complex, interactive and autocatalytic to be designed from the top down..."

Michael Shermer, 2008

In an established organization,

"...we have to revisit what made us strong in the past and what lessons we can use to rebuild in the future, but you can't be a prisoner of your history..."

Rod Eddington as quoted by Tony Walker, 2011

As Margaret Wheatley (2009) observes, chaos and destruction are part of life. The traditional ways to try to control these 2 factors are more rules, regulations, procedures, structures, etc. But this approach does not work!!!!!

Remember:

"...Getting people to acknowledge the need for change is much more a political challenge than a technical one..."

Michael Watkins, 2009

"...you change because you want to stay contemporary and win. But you don't have to declare everything as being stupid that went before you..."

Jeff Immelt as quoted by Peter Roberts, 2010

At a personal level, Margaret Wheatley (2009) observes that for change to be effective, you have to be willing to feel insecure and challenged!!!!!!

Research continually shows that there is an expanding gap between the capacity of organisations to adapt and the intensity of change they are now facing. One example is an IBM study (2008) that states: only 2 out of 3 Australian projects failed to live up to what was expected, plus around 50% failed to meet goals of timeliness, budget or quality. The main obstacles to successful implementation are

"...changing mindsets and attitudes, corporate culture and underestimating project complexity and the skills and knowledge needed. People-related factors were more important than resource restraints and even technology..."

Narelle Hooper, 2009a

The 7 ingredients described in the recommended framework are designed to create the initial conditions and context with minimal specifications for a successful organisational transition.

One of the biggest challenges is how to handle the unexpected/highly improbable/uncertainty; these are linked with randomness. An unexpected event is usually rare, has a major impact and is, retrospectively, predictable (not prospectively predictable). Remember:

"...almost no discoveries, no technologies of note came from design and planning......a strategy for the discoverers and entrepreneurs is to rely less on top-down planning and focus on maximum tinkering and recognizing opportunities when they present themselves..."

Nassim Taleb, 2007

You need to keep watching for changes in circumstances (situations, context, etc), and to understand when and why organisational changes need to be made.

"...only 3 things in life are certain: death, taxes and the fact that today's strategy won't work tomorrow......today's success will be tomorrow's old news. The question is not if, but when......To adapt successfully, you must constantly monitor the uncertainties that could invalidate the assumption underpinning your current strategy...?

Robert Simons, 2010

Even though planning can be hard in a changing environment, it is still important.Remember:

"...Really nice thing about not planning is that failure comes as a complete surprise..."

Anon as quoted by Dennis Hall, 2006a

Furthermore, we live in a time of constant flux and vast change, ie Churn of Change; with handling change being hard work

"...The prime requirement in business today is the ability to manage constant organisational change, and this demands finely tuned interpersonal and intuitive skills..."

Luke Slattery, 2007

"...few goals are more challenging to achieve than significant, lasting change in adult human beings......Our minds are changed either because we ourselves want to change"or because something happened in our mental life that warrants change......change can occur in any sphere: our political beliefs, our scientific beliefs, our personal credo, and our views about ourselves. Sometimes, the change of mind can be smooth and congenial, but it is especially poignant when a change of mind alters......in a fundamental way......whatever the cause or prompt, we must ultimately be in charge of our own mind changing. At times of such powerful mind changes, the ability of the person to be aware of what is going on in his or her mind is crucial..."

Howard Gardner, 2006

"...changing behaviour is hard, even for individuals, and even when new habits can mean the difference between life and death. In many studies of patients who have under-gone coronary bypass surgery, only one in nine people, on average, adopts healthier day-to-day habits..."

David Rock et al, 2006

"...getting people to change is becoming increasingly important in our rapidly changing world environment. The dominant view of organisational leaders is that getting people to change just requires information and the right motivation: the need to know what has to be changed, and then use incentives to inspire people to behave differently. This is a reductionist perspective, which works well in any linear system: if a machine breaks down, we work out logically where the source of the problem is, and simply replace the part. However, if the 'thing broken' is someone's communication style, finding this out and trying to ' replace the parts' is not realistic..."

David Rock et al, 2006a

"...there aren't any key theories in managing change - only different competing theories. These are to do with strategic planning at one end, right through to theories of participation and involvement at the other. One deals with conceptualising the project, dividing it up into stages, working out strategies, and the other deals with ways and means to get people to buy in..."

Margaret Patrickson as quoted by Jodie McLeod, 2004

"...Niccolo Machiavelli. In his treatise on power, The Prince, the 16th- century Florentine wrote that there is "nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things". Machiavelli went on to warn that those who pursue"change made enemies of all those who profit from the old conditions but had only "lukewarm defenders" in those who could do well out of the new order. Thus it happens that whenever those who are hostile have the opportunities to attack, they do it like partisans, whilst the others defend lukewarmly..."

Sophie Morris, 2011

"...the principle that fundamental change happens because people decide to make it happen, and organisations can inhibit or enable that change..."

Peter Senge as quoted by Mike Hanley, 2005

"...Change is complex"Change is a dynamic non-linear unfolding odyssey - not part of set stages".Managing change is difficult - is often about keeping many things up in the air at the same time..."

Patrick Dawson, 2005

"...responsibility assumption......It is possible to change other people's behaviour by changing one's reaction to them..."

Wikipedia on Dale Carnegie as quoted by Catherine Fox, 2005a

"...models of "planned change" typically involve three stages: gather information, follow due diligence procedures; decide what you want to do, making decisions and enrolling people in the decision; and follow through, monitoring and adjusting as you go.....Most change processes are superficial because they don't generate the depth of understanding and commitment that is required for sustaining change in truly demanding circumstances. Planning, deciding and monitoring and controlling the ensuring process may be all that are needed in situations where change is essentially about reacting to new circumstances but.....When you're facing very difficult issues or dilemmas, when very different people need to be aligned in very complex settings, and when the future might really be very different from the past, a different process is required..."

Peter Senge et al, 2005

"...Change is actually a process like a lot of other processes. It needs to be planned and measured and reviewed and reported on and challenged"research shows that in successful change projects 20% of the effort goes into planning"some people say it is better to be inspirational leader driven"trust people to deliver. Yes, you need to do these things as well, but if you do that without planning and process it is likely to fail..."

Les Owen as quoted by Susan Heron, 2006

"...you need to focus primarily on getting the initial condition right. If you start from a good place, then the choices that lead to success will look like the right choices..."

Clayton Christensen et al, 2003

"...blindly copying the best practices of successful companies without the guidance of circumstance-contingency theory is akin to fabricating feathered wings and flapping hard. Replicating their success is not about duplicating the attributes; it's about understanding how to generate lift. Good theories are circumstance-based. They describe how managers need to employ different strategies as circumstances change in order to achieve the needed results. The use of one-size-fits-all processes and values historically have made the creation of growth torturous..."

Clayton Christensen et al, 2003

"...you need people who can adapt and change - who are not purpose built...?

Richard White as quoted by Julian Bajkowski, 2009

Seven Essential Ingredients for Selecting a Framework in the Human Journey of Change

Ingredient 1 (includes techniques)

Laying a Foundation for New Ways (handling "endings" and "beginnings")
- Creating an ending of old ways and selectively building on the past (not burying it)
- Laying the groundwork for emotional buy-in/ownership of the change process
- Encouraging correct behaviours and discouraging incorrect behaviours
- Starting anew

Ingredient 2 (includes techniques)

Establishing a Sense of Urgency
- Examining market position & competitive realities, ie a reality check
- Understanding & discussing present & future crises, challenges, threats & opportunities
- Business as usual is not a viable option

Ingredient 3 (includes techniques)

Forming a Transitional Team
- Organising a powerful guiding team to lead the change process
- Including "opinion-makers", who support the change process, as members of this team
- Leading others by working as a team

Ingredient 4 (includes techniques)

Creating Alignment
- Developing & communicating a shared focus/purpose to direct the change process
- Developing & initiating strategies for achieving a shared focus/purpose
- Role-modelling new behaviours that reflect the shared focus/purpose from the top down

Ingredient 5 (includes techniques)

Maximising Connectedness, ie engagement/empowerment/participation
- Building on the web of connections, ie relationships
- Removing obstacles/blockers/processes/systems, etc in conflict with the change
- Promoting risk-taking, non-traditional ideas, innovation, creativity, activities & action, etc

Ingredient 6

Creating Short-Term Wins
- Planning, creating & achieving visible performance improvements in the short term
- Visibly recognising & rewarding employees who formulate and implement wins

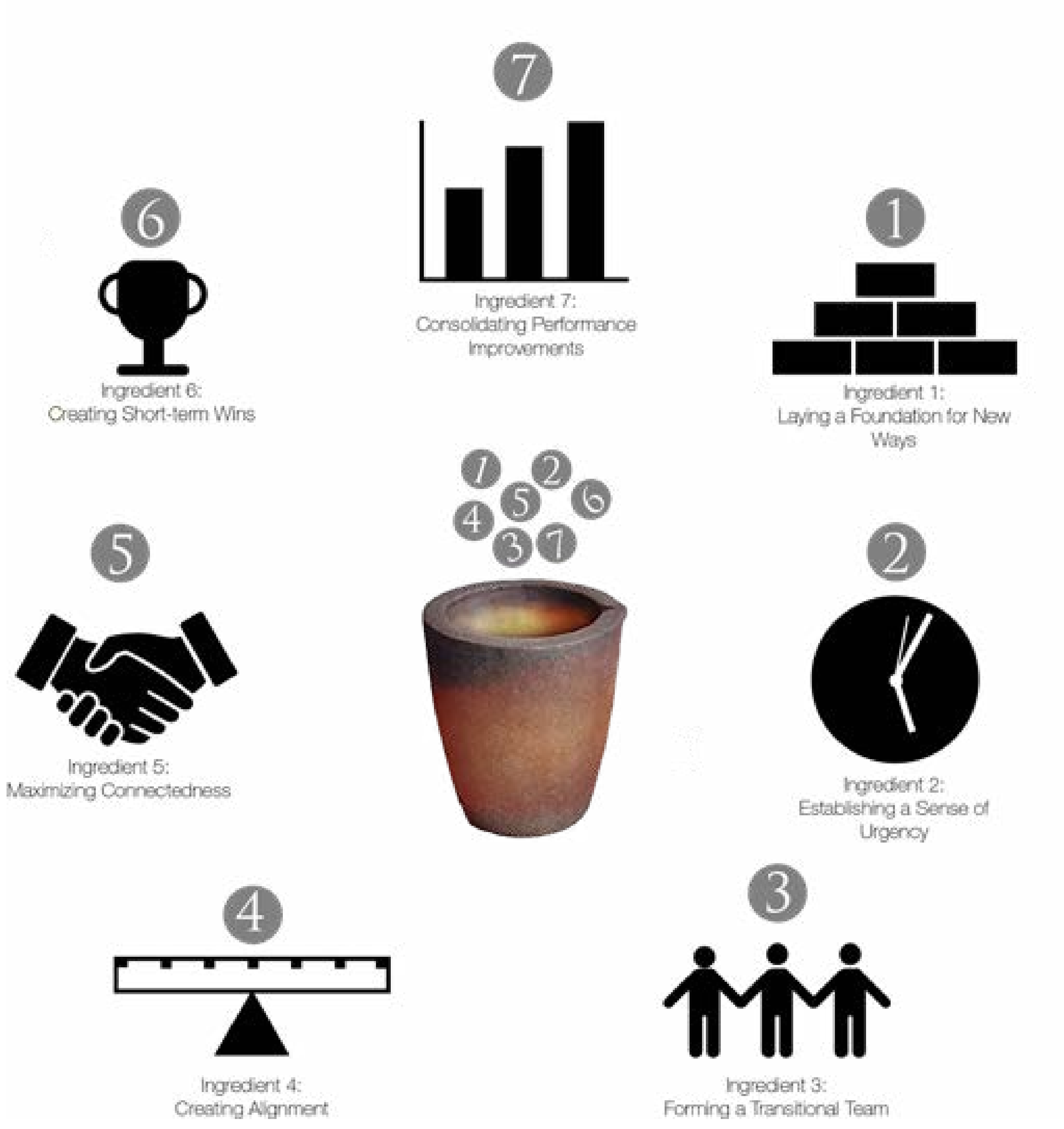
Ingredient 7 (includes techniques)

Consolidating Performance Improvements
- Anchoring a culture of change by consolidating improvements and new behaviours
- Succession planning that involves rewarding & promoting staff who support the change
- Mentoring future managers & executives
- Sustaining momentum via projects/themes/activities/processes/attitudes/behaviours, etc

Continuous and Self-sustaining Process

The first 4 ingredients help defrost the status quo; ingredients 5 and 6 introduce new practices; the last ingredient grounds the changes in the organisation's behaviours and culture and helps them stick.

Seven Essential Ingredients for Change Managment



General Comments

The implementation of the 7 ingredients will result in changed behaviour, so that there will be a change in attitude, ie use the change in behaviour to nibble away at attitudes, values and beliefs. For example,

Ingredient 1 - Laying a Foundation for New Ways

New desired behaviours include respecting the past but being prepared to move on; initiating emotional buy-in to new ways

Ingredient 2 - Establishing a Sense of Urgency

New desired behaviours include staff awareness that business as usual is not a viable option, ie we need to change things

Ingredient 3 - Forming a Transitional Team

New desired behaviours include forming a team that involves the important staff (formal and informal) who represent a cross-section of the organisation and who

- have the correct leadership behaviours (including trust, emotional commitment and teamwork)

- actively support the change process

- will have a positive influence on the rest of the organisation, ie credibility

Ingredient 4 - Creating Alignment

New desired behaviours include staff sharing the focus/purpose of the change process with more staff having creative and emotional buy-in to the process

Ingredient 5 - Maximising Connectedness

New desired behaviours include more staff feeling part of, and empowered to implement, the change process; key obstacles removed.

Ingredient 6 - Creating Short-Term Wins

New desired behaviours revolve around enough short-wins being produced quickly enough so that change helpers are re-energised, pessimists are enlightened, cynics are defused, and most staff are motivated to push forward with the change process

Ingredient 7 - Consolidating Performance Improvement

New desired behaviours demonstrate that this is the way we do business around here! New and winning behaviours continue despite the pull of tradition, status quo, turnover of change leaders, etc

NB See Volumes 3, 4 & 5 for techniques that will maximize the effectiveness of each Ingredient

General Lessons About the 7 Ingredients

The ingredients provide a set of selection criteria with the degrees of emphasis changing in each situation

There is overlap between the ingredients

To complete all the ingredients takes considerable time and involves overcoming inertia

Skipping through and/or missing ingredients limits the chance of success

A critical mistake in any of the ingredients can have devastating impact

Focus on communications - there's never too much

Importance of simplicity, ie KISS
Using a multi-projects approach can be messy and uncontrollable, ie too many projects

Urgency!- maintain a sense of urgency

Customer focus - concentrate on what the customer really wants, ie add value for customers

Just as weight loss requires a change in lifestyle and no drifting back to bad habits, organisational transition requires a permanent alteration to the organisational operations

More than 'straight line' thinking is required, ie more than gathering information, gathering data, identifying options, analysing and choosing. It involves making the organisation adaptive and flexible to handle the continually changing circumstances

Change can be stalled because of

- inwardly-focused cultures

- paralysing bureaucracy

- parochial politics

- low trust level

- lack of teamwork

- arrogant attitude

- a lack of leadership in middle management

- general human fear of the unknown, etc

Need for high quality leadership - and not just excellent management - to unfold strategies that are effectively translated into changed behaviour directed to maximising added value in the chain of daily activities leading to the consumer

Ownership, buy-in, responsibility and involvement by staff results in more rapid development and implementation of the strategy from dealing directly with customers, ie faster response to changes in consumers' needs

Importance of maximising leverage, ie focus on where you can have the maximum benefit

Change takes time

Some Useful Frameworks for Organisational Transitions

Inquire Regarding Tables/Formatting

Section 1 Introductory Comments - Objectives of Reference Material

Explain the background to change management (including common management errors, trends, etc)

To look at the suitability of some frameworks used to handle organisational transition

To make explicit the ingredients in the framework required to achieve effective organisational transition, ie a road map to create a peak-performance, innovative, agile and robust organisation in a world of constant flux

To identify/explore some innovative and creative techniques that assist in successfully achieving organisational transition

To analyse you and your organisation's current capability in meeting the change challenge

To anticipate and overcome the most common challenges in the organisational transition process

To address/explore the challenge of implanting the change process permanently in your organisation's culture, such as behavioural changes

To highlight the importance of leadership, rather than management, in organisational transition

To identify the strategies available to facilitate empowerment and to reward others for follow-through on any change

Inquire Regarding Tables/Formatting

Peak-Performance, Innovative, Agile, Resilient and Robust Organisations

For your organisation to become successful, there is a need to identify the impact of uncertainty, the 8 mega-trends and the 6 characteristics a peak performing, innovative, agile, resilient and robust organisation that are described in the following section

Some Powerful Insights from Successful CEOs

In this section consideration will be given to the following areas:

- 3Ms philosophy
- Jack Welch, ex-CEO, General Electics

Six Key Criteria for an Enduring and Successful Organisation

In the late 1990s, it was found that the average life expectancy of a firm in Japan and Europe was around 11.5 years. On the other hand, a study of 30 high-profile, long-established (100 - 700 years old), international firms, such as Dupont, WR Grace, Mitsui, Sumitomo and Siemens, found the following common characteristics of these firms were:

1. A consistent set of values based on an awareness of the organisation's own identity and the community it belongs to and works with, ie a sense of community, mutual trust and stewardship (it is more than just money)

2. A willingness to change, ie very good at managing change and being sensitive to changes in the world around them. They are good at learning and adapting, and are receptive to new ideas and activities, especially those from the edge of the organisation. Once an organisation has adapted to a new environment, it is no longer the same organisation - it has evolved.

3. A passionate concern for developing the capacity and self-confidence of their core inhabitants as a community of human beings, and demonstrate that the organisation values these more than its physical assets (land, capital and equipment). Thus, a manager places commitment to people before assets (assets are necessary for life but not the purpose of life), respects innovation before devotion to policy, accepts the disorder of learning before orderly procedures, places the perpetuation of community before all other concerns.

4. Conservatism in financing, ie do not risk the capital gratuitously; they understand the usefulness of spare cash in the kitty so that it allows them to take up options at the “right” price and be independent of outside financiers.

5. An actively fostered learning environment (especially innovation)- this requires mobile individuals and groups within the organisation; innovative staff who interact; social and organisational systems that encourage innovation.

6. Succession planning with a high priority given to organising for continuity from one generation of management to the next, ie survive and thrive

(sources: Arie de Gues, 1997; Aust. Financial Review, 2001)

Criteria for Evaluating the Top 500 Commercial Organisations

Quality of management

Quality of products and services

Innovativeness

Long-term investment value

Financial soundness

Ability to attract, develop and retain talent

Community responsibility

Business acumen

(source: Nicholas Stein, 2000)

Management Practices that Bring Superior Results

(Making 4 + 2 Work for You)

In this section consideration will be given to the following areas:

Characteristics of the Most Admired Organisations

Innovative (includes a willingness to allow the organisation to experiment and to learn from mistakes)

Set challenging goals, ie challenge conventional wisdom

Closely linked compensation for all the executives to achieving these goals

Are orientated to long-term performance

In performance measurement, prefer emphasis on:

- return-based measurement such as assets, equity, capital and shareholder value, rather than profit

- customers, ie customer satisfaction, loyalty/retention and market share

- employees, ie staff retention and career development

- performance measurement to encourage co-operation and collaboration (these measures help the organisation to focus on growth, operational excellence, customer loyalty, human capital development, etc). Performance measurement is not to keep score. Rather, it is about learning how to motivate people and linking performance to real rewards. Furthermore, considering boththe financial and human aspects of performance; these measures are linked to short-term and long-term incentives

- rewarding the right behaviours

(source: Nicholas Stein, 2000)

Change is...

Unavoidable

Different

Sometimes unsafe

Unpredictable and turbulent

Uncertain and insecure

Disruptive of routines

Discomforting

Sometimes a catalyst for anger

Anxiety-inducing

Uncomfortable, ie pushes us outside our zone of comfort

Suspicion-producing (hidden agendas)

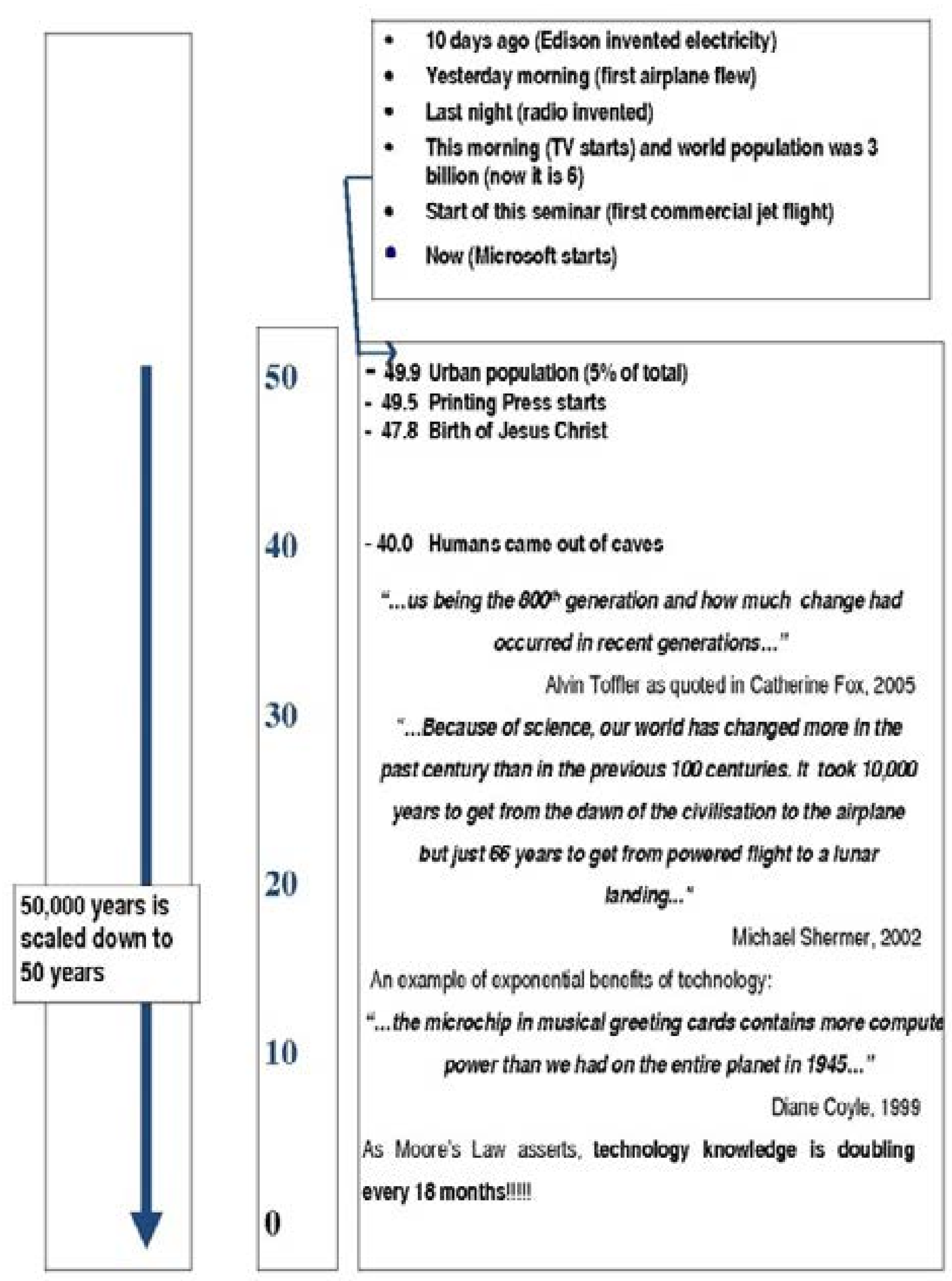
Occurring at ultrasonic pace

Levels of Change

NB There is overlap and interaction between the different levels

(sources: Alex Taylor et al, 1998; Catherine Fox, 2006a; Lynn Fossum, 1989)

Telescoping of Change



The major consequence of this is our brains have not kept pace with change, especially technology, ie

"technology giveth, technology taketh away"

Chris Ruen, 2013

Evolution occurs on millennial time scales, whereas computer processing power doubles roughly every other year

. This is linked with another problem. To handle potential danger, we have developed quick pattern-recognition skills, eg does something mean danger?

. In the modern, fast-paced world awash with data, this skill can cause problems, ie we can see patterns where there are none

Unstable, Impermanent and Unexpected

Increasingly the world environment is becoming more uncertain, volatile and turbulent. There is uncertainty about the future, but it is filled with probabilities and possibilities/opportunities. As a result, stability is no longer the perceived norm, yet we still crave stability, ie

- stable family
- stable job
- stable personality
- stable job history
- stable economic growth
- stable organisation
- stable political system
- stable currency

(source: Hilary Langford et al, 1997)

Impermanence (part of Buddhist philosophy) explains the lack of stability and uncertainty about the future

"...everything changes. It's important to look at impermanence as a fact of life. You bring discomfort and unhappiness if you try to hold onto something in a changing world..."

Ross Mackay as quoted by Susan Owen, 2001

"we are the temporary dwellers here. We try to build certainty into an impermanent world through financial security, approval, our bodies, our relevance. At the heart of it, is to get comfy..."

Graham McCann as quoted by Susan Owen, 2001

Impermanence (part of Buddhist philosophy) explains the lack of stability and uncertainty about the future.

Even though we live in an unpredictable, ever-changing world, most organisations and staff work on false assumptions based on a secure and stable environment. The challenge is to better recognise and manage the unpredictable - not to simplify and streamline. An organisation is not a "black and white matter" but a fluid entity. One of the keys is the sensitivity or mindfulness that staff are trained to have to identify the earliest signs that some kind of change or danger is approaching. Most organisations are under the illusion that they know what is going to happen next (including people's behaviour). They ignore the possibility that something unexpected may happen and that decisions can have unintended consequences. Everyday problems escalate to disaster status very quickly when people do not respond appropriately to incredibly weak warning signs. Successful organisations are

"...able to detect incredibly weak warning signs and then take strong, decisive action..."

Karl E Weick as quoted by Diane L Coutu, 2003

Furthermore, Weick states that by being aware and recognising the unexpected, they are linked in a need to be preoccupied with failure, committed to resilience and sensitive to operations; with managers being focused on the frontline, ie customers

"...the greater the repertoire of responses you have on your team, the more things you can do. And ultimately, the more ready you are to deal with reality, the more you can acknowledge its complexity..."

Karl E Weick as quoted by Diane L Coutu, 2003

Changing Face of Competition

Competition is increasingly coming from

"...where you least expect it"...industry newcomers - not the traditional competitors - had taken the best advantage of change over the past ten years"...by profoundly changing the rules of the game..."

GaryHamel, 1997

eg retailing of groceries has evolved from the horse and cart to corner store to general store to supermarket to petrol stations and now E commerce

People like Murdoch, Gates and Branson do not play by the traditional business rules of a particular industry they enter. This trend is expected to intensify. It has been observed that the traditional business rules that have gone into the history books include

"...- brand creation as a long-term proposition

- consumers are loyal

- the cost of entry is high

- traditional advertising is essential

- full-time employment is the answer

- sticking to core business is the only way to grow a business..."

Tim Flattery et al, 2000

The continuously changing nature of the playing field of competition is creating opportunities for new and smaller players to get into traditional industries that previously had high barriers to entry, ie capital, expertise, etc

Furthermore, more and more traditional business rules are becoming sacred cows, ie

"...an outmoded belief, assumption, practice, policy, system or strategy, generally invisible, that inhibits change and prevents resources being used for new opportunities..."

Examples of sacred cows that have disappeared over the last few decades:

- 40 hour work week

- job security

- life-time employment in one organisation or industry, ie 25 year golden watch

- retirement at age 65

- management by objectives

- command-and-control organisations

- top-down decision-making

- single paycheck households, etc

"The idea is to create a world that is no longer governed primarily by habit prevents people, companies and societies from making radical change"

Peter Senge as quoted by Mike Hanley, 2005

"Our behaviour is driven by fundamental core beliefs: the desire, and the ability of an organisation to continuously learn from any source - and to rapidly convert this learning into action - is its ultimate competitive advantage"

Jack Welch in Senge et al, 1999

"Over 50% of technological breakthroughs that influence an industry or organisation come from outside that industry"

Peter Drucker, 2001

Local Situation on Change

Since the mid 1990s, change, and how to handle it, has been one of the main concerns of management in Australia. One of the few things experts agree upon is that change will keep coming and it will probably get faster

A survey of local CEOs concluded that CHANGE

- is one of the main issues confronting organisations today

- will be a bigger challenge in the future

- is unable to be handled by traditional methods of management

(sources: Karpin Report, 1995; CEDA, 1997)

Why Change Organisations?

1. Organisation out of step with changing environment, eg stakeholders, markets, etc..

2. Emerging opportunities to enhance organisation's strategic intent, eg takeover, merger, alliance, acquisition, etc

3. Desire to strengthen core competencies, ie what the organisation does best

4. Opportunities to expand core competencies, ie diversify, etc

5. Need to handle next organisational phase, eg life-cycle approach, S-curve, sigmoid curve, second curve or curvilinear logic

Of the above reasons, the handling of the next organisational phase (life-cycle approach) is the least understood

(sources: Paul Saul, 1996; Charles Handy, 2002)

Life-cycle Approach

(Life history of an organisation or product that can be called the S-curve, sigmoid curve, second curve or curvilinear logic)

Point of Diminishing Returns

Gary Hamel, 2000a

The explanation of this is that, recently, organisations have been trying to ring the last efficiency out of business models that have reached their use-by date, ie point of diminishing returns. Strategies have become virtually indistinguishable between competitors with senior management's attention focused internally on process and systems. Only a few organisations have successfully invented new business models or reinvented existing business models.

With rising shareholder expectations, new wealth needs to be created. This involves innovation which involves creating new industries, new products, new services and business models.

"...stewardship vs. entrepreneurialship; optimisation vs. innovation..."

Gary Hamel, 2000

These are the fundamental dichotomies between the mediocre many and the extraordinary few. Stewards focus on unlocked shareholder wealth, while entrepreneurs are obsessed with the challenge of creating and achieving new wealth.

No such thing as a mature industry

"...there are no mature industries, only mature managers who unthinkingly accept somebody else's definition of what's possible..."

Gary Hamel, 2000a

eg the market for pre-washed, pre-cut, pre-packaged lettuce (a salad in a bag) grew from nothing in the late 1980s to $1.4 billion by 1999. Lettuce is not regarded as part of the new technology, ie cannot put a Pentium chip in the head of a lettuce, nor digitise green leaves and send them zipping over the Internet!!!!!!

To determine where your organisation is on the graph of diminishing returns, you need to ask the following questions:

How much cost savings can your organisation wring out of its current business model?

Are you and your colleagues working harder and harder for smaller and smaller efficiency gains?

How much revenue growth can your organisation squeeze out of its current business model? Is your organisation paying more and more for consumer acquisition and market-share gains?

How much longer can your organisation keep propping up its share price through share buy-backs, spin-offs and other forms of financial engineering? Is top management reaching the limits of its ability to push up the share price without actually creating new wealth?

- How many more economies of scale can your organisation gain from mergers and acquisitions? Are the costs of integration beginning to overwhelm the savings obtained from slashing shared overhead costs?

- How different are the strategies of the 4 or 5 largest competitors in your industry from your organisation's strategy? Is it getting harder and harder to differentiate your organisation from its competitors?

If you answered "not much" and "yes" more than a couple of times, then you need to re-look at your organisation and business model.

Furthermore, you need to understand where the discontinuities and change differentials are by asking the following questions:

- where and in what ways is change creating the potential for new rules and new spaces?

- what is the potential for revolution inherent in the things that are changing right now, or have already changed?

- what are the discontinuities to exploit?

- what aspect of what's changing can we come to understand better than anyone else in our industry?

- what's the deep dynamic that will make our new business concept more relevant right now?

(source: Gary Hamel, 2000a)

Sometimes when growth levels off or declines, management is tempted to do silly things like make an unnecessary acquisition, slash expenses, etc to handle the criticism from brokers, investors, commentators, etc. For example, Wesfarmers in the 1990s was criticised by the financial media as it was unsuccessful in many of its takeover targets, ie always being the bridesmaid!!! Yet its performance over a 20 year period was exceptional, ie if you invested $8,000 and reinvested dividends in Wesfarmers, it was worth around $1 million a couple of decades later!!!!!

Some Traditional Techniques Used to Handle Organisational Change

1 Downsizing

(assets, staff - including management)

2 Organisational restructuring

(retrenchments)

3 Quality and customer services

(TQM & CRM)

4 Industrial relations change

(enterprise bargaining agreements, award restructuring, work choice, etc)

(source: R. Waldersee et al, 1993)

Preparing for and Handling “Hard Times”

Introduction

As Geoffrey Blainey (1993) suggests that the Australian economic history has been a series of “Booms and Bursts”. The reality is that every bubble bursts but the accurate prediction of when will it occur, how long it will last, how will we look when we come out, etc is the hard part. Furthermore, every boom has a predominant but different theme from the previous one, eg

“... in the early 1950s, it was retail and hire purchase; in the late 1960s, mining shares like Poseidon; in the late 1980s, debt-driven conglomerates like Bond Corp and Quintex; in the early 1990s, property; in the late 1990s, dot-com companies in 2000’s;..” until 2008 “... it was a stock market boom with higher leveraged property and financial engineering companies like Centro, MFS, Allco, Opes Prime...”

David Hains (Portland House) as quoted by Andrew Cornell, 2009

Human beings are creatures of habit and prefer to stay in their zones of comfort. As a result we are not good at handling the unexpected and uncertainty that lie outside our ‘tunnel of possibilities’. Usually the unexpected and unknown events are rare, have an extremely high impact and are low in predictability; although they appear retrospectively predictable. We need to adjust to handle them. Usually the problem lies not in the nature of the events but in the way we perceive them.

Furthermore,

“...you must never forget that every change ushers in unforeseen consequences. This applies as much to welcome change as unwelcome ones......obviously, you cannot plan for the unexpected. All you can really do is never let your guard down...”

Richard Branson, 2008

Linked with a preference to stay in your zone of comfort is a fixed mindset (Catherine Fox, 2009). A fixed mindset is a simple framework for gaining self-esteem and judging others. It encourages stereotyping by using preliminary information to decide on a fixed view. Fortunately, a brain continues to change throughout our lives. This gives us a chance to update information for better decision-making. We need to encourage a culture where we learn from our mistakes. Furthermore, when we are willing to learn, we are more receptive to feedback or criticism. Thus success depends upon effort, persistence and being prepared to move out of your comfort zone rather than innate talent.

Remember: people do not act in rational ways. Therefore, predicting behaviours and reactions is not easy.

According to Nassim Taleb (2007), there are 5 main reasons we fail to see unexpected events:

i) errors of confirmation (we focus on experience and preselected observations, and then generalize from them to the unseen; our tendency to look at what confirms that knowledge)

ii) narrative fallacy (we believe that stories will display distinct patterns; we fool ourselves with stories and anecdotes)

iii) human nature (we are programmed to handle the expected rather than the unexpected; how our emotions get in the way of logical)

iv) distortion of solid or silent evidence (we see what we want to see, ie these mis-perceptions become our reality; how we are selective in our understanding of history)

v) tunnel vision (we focus on a narrow range of well-defined sources of uncertainty; the difference between what people actually know and how much they think they know; the neglect of outside/external sources of uncertainty)

In spite of our exponentially increasing knowledge base, the future is becoming less predictable.

Some initial incorrect reaction to volatile times can be around “seige mentality” as shown by

- inaction (a very risky response)

- rising anxiety (how much worse can things get?)

- “just do something” (uncoordinated actions can target the wrong problem or overshoot the right one), eg extreme cost cutting, including staff (see above section on downsizing) and/or reduced capital expenditure. Need to be careful not to overdo cost cutting and regret this when the economy improves, ie you do not have the resources to take advantage of the up-turn. It is very difficult to predict, with any degree of accuracy, when a recovery will happen; you need to be ready for it and not be playing “catch-up footie”. Also, in a down-turn, opportunities will arise that require adequate staff and other resources in order to be realised.

In hard times, some organisations will revert to a command-and-control approach rather than continuing to nurture people, as the organisations grapple with short-term financial pressures and survival.

As the current crisis started as a financial crisis, it is expected that many of the private equity businesses/portfolios will not make it through the crisis because of their financial leverage, ie they have borrowed too much money.

“...Any business which expands rapidly during a boom using high leverage can be vulnerable when the bubble bursts...”

David Hains (Portland House) as quoted by Andrew Cornell, 2009
•Indicators of volatile times include

iii) Economic - stock markets, exchange rate, commodity prices (oil, copper & iron ore, etc), interest rates, government debt, etc

- stock markets (Aust. index - peaked over 5,000; fell to around 3,000 and is now oscillating above 5,000+)

- exchange rate (re $A v. $US ? peaked at over parity; fell to mid 60s and now around parity)

- oil prices (fell from $US 150 per barrel to under $32 in 2009 and now is around $100)

- copper prices (fell from over $US 4 to 1.25 per lb & surged to $US 4.65 in early 2011)

- iron ore ($US 80 to 180 per tonne & fell to below 100)

- interest rates (Australian Reserve Bank’s cash rate fell from 7.25 to 3%)

- government debt (surpluses to deficits)

- firm failures - in 2011, a record number of Australian firms failed (10,481)

iv) Others, eg simultaneous bushfires and floods in Australia, levels of urban water storage, earthquakes, tsunamis, cyclones, hurricanes, volcanic ash, etc

Impact of Volatile Times On Change

- Stability is no longer the norm; yet much of organisational development theory is based on stability

- Past success is no guarantee for future success

- Uncertain world with very few definitive answers, ie many shades of grey

- Need to be flexible to handle many “unintended consequences”or “unplanned events”

- Change is a journey, not a destination; it is on-going

- “Business as usual” less likely to be a sustainable option
•The aim is to survive the “hard times” and be in a suitable shape to thrive once the good times return. This is more than financial. It involves talent management plus identifying suitable markets, reviewing processes, etc. Furthermore, the status quo is under challenge and the world has always emerged very differently after each downturn.
•Research (David Rhodes et al, 2009) has suggested that organisations whose early responses to an economic downturn are tentative will typically overreact later on. This results in an expensive recovery when the economy recovers
•Many organisations fail to see the opportunities hidden in an economic downturn. To take advantage of these opportunities, the first prioroty is to do a thorough but rapid assessment of your vulnerabilities and then move decisively to minimise them. This will position you to seize future sources of competitive advantage, whether from investments in product/services development or transformative acquisitions.

What to Consider in “Hard Times”
•Minimizing your organisation’s vulnerabilities includes considering

a) financial fundamentals - as liquidity or cash is paramount to immediate survival and to handling the future, such as investments, you need to

i) monitor and maximize your cash position by

- calculating expected cash inflows and outflows to identify areas where spending can be reduced or postponed

- producing regular weekly or monthly cash reports (detailing expected near-term payments and receipts) depending on the volatility of the business,

- centralising or pooling data and cash to provide company-wide data and enables pooling of cash across business units

NB How much spending you allow depends on your assumptions about the severity of the downturn and to what degree such spending is discretionary

ii) improve cash flow by tightly managing customer credit by

- segmenting customers based on credit risk

- offering finance only to creditworthy or strategic customers

- assessing trade-offs between credit risks and marginal sales

- focusing sales incentives on the speed of getting sales paid for

NB In the current economic environment, buyers will seek credit more frequently. This will expose you to more risk.

iii) aggressively manage working capital (difference between current assets and liabilities) by

- reducing inventory by monitoring production and sourcing

I- reducing receivables by actively managing customer credit

iv) optimize your financial structure and financing options by

- reducing debt and other liabilities

- securing access to lines of credit

- securing access to equity capital by tapping non-market sources, such as superannuation funds

NB Look for ways to strengthen balance sheets by reducing debt and other liabilities, such as operating leases or pension obligations

b) the current business (loosely-run operations, sluggish unit sales and over-extended organisations are vulnerable to economic shocks)

i) reduce costs and increase efficiency by

- discontinuing long-standing activities that add little business value

- reviving earlier efficiency initiatives too controversial to fully implement in better times

- streamlining the organisation by reducing levels of organisational hierarchy, consolidating or centralising key functions, etc

- analysing current supplies and buying practices by reviewing supply chains, standardizing components, etc

- re-examining the economics of going offshore

NB Need to be careful of purely reactive action, such as slashing marketing and/or core research and development, etc which could have a negative impact on your performance when the recovery comes.

ii) as cash becomes critically important, aggressively manage the top line by

- revitalizing customer retention initiatives (so that existing revenues are protect) and identifying ways to generate additional revenue from your current business

- realigning sales force utilization and deploying incentives to generate additional short-term revenue

- reallocating marketing spending toward immediate revenue generation

- considering more generous financial terms for customers in return for higher prices

iii) as purchasing behaviours change in a recession, rethink your product/service mix and pricing strategy by

- offering lower-priced versions of existing products

- identifying products for which customers are still willing to pay full price

- considering creative strategies such as result-based or subscription pricing

- unbundling services and adopting "a la carte" pricing

NB Determine how the needs, preferences and spending patterns of your customers, whether individuals or corporates, are impacted by the downturn.

iv) reduce planned investments and sell assets by

- establishing stringent capital allocation guidelines

- shedding unproductive assets that were difficult to dispose of in good times

- selling non-core businesses (including peripheral or poorly-performing operations) and focus on core businesses

NB At the same time be prepared

to invest in activities, such as marketing, R& D, product development, technology, etc that are best for the long-term future of the organisation

to be opportunistic about potentially good investments/consolidation, etc as history shows that the best deals occur during a downturn

to rethink your business model

c) share price (a strong market valuation relative to rivals is important in raising capital and acting on acquisition opportunities. Markets reward strong balance sheets with low debt and secured access to capital)

i) inform investors and analysts of your recession preparedness

ii) consider opting for dividend payments rather than share buybacks

Once the above analysis is done, then rapid implementation is important. Some obstacles to implementation include

- insufficient understanding and appreciation of the evolving crisis

- senior management's lack of appreciation and commitment

- failure to see how individual initiatives are part of a comprehensive plan

- lack of attention to the human element.

In preparing for a slowing of the economy, there is a better approach than the 'slash and burn' approach that has been used in the past. You need to review your business and understanding of products/services by asking:

- how has our business performed relative to our competitors?

- why do customers prefer to deal with us?

- what do we have to do to make a profit?

- what costs need reducing?

(Some suggestions for reducing costs include reducing internal overheads - back-office or warehouse - lowering inventory levels, non-core assets and/or under-utilised assets can be cashed in and/or outsourced, hiring casuals instead of permanent staff, delaying major capital expenditure, increasing the repair and maintenance of old equipment so that it lasts longer)

Continue to conduct the appropriate "naval gazing" activities

Innovation in the past has focused on growth opportunities, such as new products and services, marketing innovation, acquisitions, etc. In the current crisis there will be more innovative focus on operational issues fundamental to business health.

Some Other Suggestions

Review your customers' records to determine segments, sub-segments or individual accounts that will be impacted by the downturn in the economy

Rank your customers by size, profitability, recession resilience and loyalty

Increase communication with customers

Reassess your product/service ranges

Focus on value with products and services (including additional services)

Simplify your range of products and services

Guard against employee defection by calibrating non-financial benefits to staff, such as career enhancement, comradeship, challenges and recognition

Prepare the offensive strategies for competitors' price cuts (including reviewing of advertising and marketing spending. Remember: brands which reduce advertising expenditure can lose market share)

Focus on micro trends in particular markets

Prepare strategies for an upturn, including recapturing business lost to low-priced competitors

Summary

In summary you need

"...the three big ideas are awareness, resilience and flexibility...... awareness because things can move very quickly, resilience, which is to plan for the worst and the best case, and flexibility - you need to be ready to act..."

Michael Rennie as quoted by Peter Roberts, 2009

(sources: Jason Daniels, 2008; David Rhodes et a, 2009; Peter Roberts, 2009; Glenn Mumford, 2008 ; Stephen Wyatt, 2012)

Local Situation on Change (Australia)

Introduction

Based on the Karpin report (1995), the area that most worried management in Australia was change, and how to handle it

One of the few things experts agree upon is that change will keep coming and it will probably get faster

A more recent survey of local CEOs concluded that CHANGE

- is one of the main issues confronting organisations

- will be a bigger challenge in the future

- is unable to be handled by traditional methods of management

Around 250 local organisations, that are conducting a long-term change process, were surveyed

Findings of Survey

The capabilities to achieve change effectiveness are very different from those needed to achieve a positive current business performance, ie

- successful capabilities for day-to-day operations differ from those required to handle change

- current performance is no guide for future performance, ie success factors now are not necessarily elements for future success

The 3 capabilities that are most important to change effectiveness are engagement, development and performance management. These are reshaping capabilities.

The 3 capabilities that are most important to achieving high current business performance are biztech (technologies, processes, etc), performance management and, to a lesser extent, marketing and selling. These are operational capabilities.

Both sets of capabilities are needed to achieve high long-term performance. One set alone is simply ineffectual in achieving high current business performance and effective change when needed.

Having one set of capabilities is not related to having the other. An organisation can be good at managing current performance and bad at making effective change, or bad at managing current performance and good at making effective change. Being good at running your business today has little relationship to an ability to change it, and vice versa.

These conclusions apply to organisations of all sizes in all sectors (private, co-operative, public and not-for-profit).

Definitions of the capabilities

Engagement = getting people throughout the organisation informed, involved, committed and motivated to act, to achieve the organisation's purpose and defined future direction.

Development = developing the resources - personal, physical, technological and systems - needed to achieve the firm's future direction.

Performance management = proactive management of the factors that are important to an organisation's performance to ensure it consistently and effectively achieves what is desired.

Biztech = commanding and understanding the technologies, processes and mechanisms through which the organisation produces and delivers its products and services to its market.

Marketing and selling = understanding the firm's market and how the external events affect that market, identifying customers' needs and selling its goods and services effectively to them

(sources: Michael Crawford et al, 1996; Dennis Turner et al, 1998; Karpin Report, 1995; CEDA, 1997)