

# ACADEMIQUE

## BSB60915 - ADVANCED DIPLOMA OF MANAGEMENT (HUMAN RESOURCE)

Study Support materials for

### BSBINN601 - Lead and Manage Organisational Change



## STUDENT HANDOUT

This unit describes the performance outcomes, skills and knowledge required to determine strategic change requirements and opportunities; and to develop, implement and evaluate change management strategies.

No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement. This unit applies to managers with responsibilities that extend across the organisation or across significant parts of a large organisation. They may have a dedicated role in human resources management, human resources development, or work in a strategic policy or planning area. The unit takes a structured approach to change management and applies to people with considerable work experience and organisational knowledge.

ELEMENT	PERFORMANCE CRITERIA
1. Identify change requirements and opportunities	<ul style="list-style-type: none"> <li>1.1. Identify <i>strategic change needs</i> through an analysis of organisational objectives</li> <li>1.2. Review existing policies and practices against strategic objectives to identify change requirements</li> <li>1.3. Monitor trends in the <i>external environment</i> to identify events or trends that impact on the achievement of organisation's objectives</li> <li>1.4. Identify major operational change requirements due to performance gaps, business opportunities or threats, or management decisions</li> <li>1.5. Review and prioritise change requirements or opportunities with <i>relevant managers</i></li> <li>1.6. Consult specialists and experts to assist in the identification of major change requirements and opportunities</li> </ul>
2. Develop change management strategy	<ul style="list-style-type: none"> <li>2.1. Undertake cost-benefit analysis for high priority change requirements and opportunities</li> <li>2.2. Undertake risk analysis, identify <i>barriers to change</i>, and agree and record mitigation strategies</li> <li>2.3. Develop change management project plan</li> <li>2.4. Obtain approvals from relevant authorities to confirm the change management process</li> <li>2.5. Assign <i>resources</i> to the project and agree reporting protocols with relevant managers</li> </ul>
3. Implement change management strategy	<ul style="list-style-type: none"> <li>3.1. In consultation with relevant groups and individuals, develop communication or education plan to promote the benefits of the change to the organisation and to minimise loss</li> <li>3.2. Arrange and manage activities to deliver the communication or education plans to relevant groups and individuals</li> <li>3.3. Consult with relevant groups and individuals for input into the change process</li> <li>3.4. Identify and respond to barriers to the change according to risk management plans</li> <li>3.5. Action <i>interventions and activities</i> set out in project plan according to project timetable</li> <li>3.6. Activate strategies for embedding the change</li> <li>3.7. Conduct regular evaluation and review, and modify project plan where appropriate to achieve change program objectives</li> </ul>

*It's not the progress I mind, it's the change I don't like. —Mark Twain*

**Session 1:** What is change and why must it happen? How do organizations cope with change? What external factors can influence change and why?

**Session 2:** How do you develop change management strategies? The role of thinking and feeling.

Homework - is due at the end of the four week unit.

**Session 3:** What do we need to do to implement change management strategy? Who else needs to be involved and why?

**Session 4:** Prepare for assessment

## Managing Organisational Change

*“Faced with the choice between changing one’s mind and proving that there is no need to do so, almost everybody gets busy on the proof.” – John Kenneth Galbraith*

Today’s fast-paced economy demands that businesses change or die. Few companies manage corporate transformations as well as they would like. It is said that anywhere from 50 to 80 percent of all change initiatives fail.

Between 1980 and 1995, researchers at the Harvard Business School tracked the impact of change efforts among the Fortune 100. Only 30 percent of those initiatives produced an improvement in bottom-line results that exceeded the company’s cost of capital and only 50 percent led to an improvement in market share price. Each of the companies invested \$1 billion in change programs over the 15-year period.

For years, companies have struggled with growing competition by introducing improvements into every function and process. But the competitive pressures keep increasing, the pace of change keeps accelerating and companies must continually search for higher levels of quality, service and overall business agility. The treadmill moves faster, companies work harder, but results improve slowly or not at all.

One problem is that too few people at every level really support the initiative with their hearts and minds. To foster pro-active effort and imaginative thinking, not only do you have to engage more employees, you’ve got to engage them more fully.

Change is intensely personal. For change to occur in any organisation, each individual must think, feel or do something different. Even in large organisations, which depend on thousands of employees understanding company strategies well enough to translate them into appropriate actions, leaders must win their followers one by one.

Part of the problem stems from applying mechanistic models that were first used in scientific management under the legacy of Frederick Winslow Taylor. These principles were first applied to managing physical work in manufacturing plants. When superimposed on the new model of today’s knowledge organisation, change initiatives are broken into pieces and then the pieces are managed. But today *change is dynamic* and the pieces are constantly in motion. The challenge is to innovate mental work – not to replicate physical work.

### Thinking in anticipation of changes

How do you teach thousands of people to think strategically, recognise patterns, and to anticipate problems and opportunities before they occur? There is a new level of complexity and “chaos” that can be managed only when information flows across boundaries. When we recognise that critical information can be held anywhere in and out of the organisation, we create opportunities for those with information to influence decision-making.

An organisation may simultaneously be working on TQM, process re-engineering, employee empowerment, and several other programs designed to improve performance. How do you connect and balance all the pieces? In

managing change, the challenge is to understand how the pieces balance off one another, how changing one element changes the rest, and how sequencing and pace affect the whole structure.

*Managing change means creating conversations between the people leading the change effort and those who are expected to implement the new strategies.* It means managing the organisational context in which change can occur, as well as managing the emotional and intellectual connections that are essential for transformation.

*“All real change involves major uncertainty, and we cannot deny the questioning time to others simply because we have already answered the questions for ourselves.”* – Bernice McCarthy

### **Feelings and perspectives**

Change is fundamentally about feelings and perspectives. And companies that want their workers to contribute with their heads and hearts have to accept that emotions are essential to the new management style. The old management paradigm said that people are allowed to have feelings, as long as they are positive ones. *The new management paradigm says that managing people is managing feelings, whether they are positive, negative or neutral.* In the most successful change programs, large organisations connect with their people most directly through values – and values, ultimately, are about beliefs and feelings.

When an organisation denies the validity of emotions in the workplace or seeks to permit only certain kinds of emotions, two things happen. The first is that managers cut themselves off from their own emotional lives. And in doing so, they cut off the ideas, solutions, and new perspectives that other people can contribute.

### **Facing negativity**

So how, then, to deal with negative emotions which are so common during changes? It's true that getting a group of people together and allowing them to vent their emotions can initiate a negative spiral. A manager who is results-oriented may not be comfortable or prepared to deal with what his people have to say when it is negative.

Here is an approach that works: A project director in one large organisation scheduled meetings twice a week for his team undergoing a complex change effort. For the first 15 minutes, staff members were allowed to complain and vent. But only for 15 minutes. Each person was allowed to say anything they felt. But the second 15 minutes were devoted to bragging about gains and successes. Ending the meeting on how people overcame obstacles became an energising process.

During the year of the change project, these meetings built up a remarkable degree of camaraderie among team members. Although harder for some to participate in than others, everyone came to realise that the conversion project was hard for everyone. They began to give each other ideas about ways to handle tough situations. As they began to tell each other about their little victories, they felt like a winning team. When the project was over, they felt better about themselves and their organisation than they had at the beginning.

Some consultants specialise in helping organisations navigate mergers, acquisitions, re-engineering and major change initiatives. Such change agents can help answer the questions: What makes for a successful change process? What can be learned from the multitude of change failures?

*“It isn't the changes that do you in, it's the transitions. Change is not the same as transition. Change is situational: the new site, the new boss, the new team roles, the new policy. Transition is the psychological process people go through to come to terms with the new situation. Change is external, transition is internal.”* –William Bridges, *Managing Transitions*, 1991

### **Dealing with loss**

The failure to identify and be ready for the endings and losses that change produces is the largest single problem that organisations in transition encounter. No one can accurately foresee how many people will experience the “improvement” program as a loss of something related to their job. However, a robust impact assessment of the program on affected people is a good first step.

All change involves letting go of something. Even good changes such as promotions and expansions involve losses and endings. Before you can begin something new, you have to end what used to be. In order to learn a new way of doing things, you have to unlearn the old way. Change and endings go together; you can't have one without the other. The problem is – nobody likes endings.

It isn't necessarily the *change* that people resist. It's the *losses and endings* that they experience. It does little good to talk about how healthy the outcome of the change will be. First you have to deal directly with the losses and endings. But how?

1. Identify who is losing what and why.
2. Accept the reality and importance of the subjective losses. (Don't be surprised at "overreaction.")
3. Expect and accept the signs of "grieving." Acknowledge the losses openly and with empathy.
4. Give people information again and again; define what's over and what isn't, what has changed, and what stays the same.
5. Mark the endings; treat the past with respect.
6. Provide plenty of forums for discussion about both positive and negative changes.
7. Provide coaching services, preferably from outside sources.

### **Providing coaching for change**

An effective way of dealing with these issues is by offering the services of coaches to deal with change management. Individual time and attention with a professional coach is an excellent way for people to deal with their experiences. The opportunity to discuss the un-discussables with an outside person can create smooth transitions.

The second step through transitions involves the acceptance of a neutral zone, a sort of no-man's land between the old reality and the new. It is the time between the old identity and the new. It is a most uncomfortable time because of the insecurity of not knowing. If you don't expect this period and deal with it, you may mistakenly conclude that the confusion you feel is a sign that there's something wrong with the program.

If you try to rush through this period, you risk compromising the change program – but also you will lose a great opportunity. As painful and uncomfortable as people feel in this neutral zone, it is the individual's and the organisation's best chance for creativity, renewal, and development.

The neutral zone is both a dangerous and an opportune place. It is the very core of the transition process. It is the time that people want most to leave and to abort the process. It is the place and time when the old habits that are no longer adaptive to the situation are extinguished and new, better patterns of habit begin to take shape. It is the chaos in which the old form of things dissolves and from which the new form emerges.

People make the new beginning only if they have first made an ending and spent some time in the neutral zone. Yet most organisations try to start with the beginning rather than finishing with the old first.

### **First You Lose, and Then You Win...**

When major changes are announced, they emphasise all the benefits that will follow with the successful new strategies. While fanfare and power point presentations can be theatrical and entertaining, the danger lies in giving little attention to the reality of loss that the changes are bringing. Change means loss. The loss has to be processed before people will change their behaviours in the desired direction. Here are some common reactions that arise:

**Anger:** This may be evident as grumbling, as foot-dragging, mistakes, and even sabotage. Listen to what is being said. Don't take on the blame, however, when anger is being misdirected at you. Distinguish between acceptable feelings and unacceptable acting-out behaviours.

**Bargaining:** There may be unrealistic attempts to get out of the situation by trying to strike a deal. Distinguish these efforts from real problem solving. Don't be swayed by desperate arguments and impossible promises.

**Anxiety:** The fear of an unknown future may lead some to create catastrophic fantasies. Such feelings may be silent or expressed. Again, acknowledge and accept these emotions as natural. Don't make people feel stupid for experiencing anxiety. Communicate new information as it becomes available. Commiserate with them when it is not.

**Sadness:** This is the heart of the grieving process. It may be experienced as everything from silence to tears. It is often behind feelings of anger. Encourage people to say what they are feeling and share your feelings too. Trying to reassure people with unrealistic suggestions of hope may fall flat. You can empathise as long as it's genuine.

**Disorientation:** Even organised people may experience forgetfulness, confusion and clumsiness during this period. These feelings are so uncomfortable that people will do strange things to avoid them. Give people extra support and attention.

**Depression:** Some people may experience feelings of hopelessness and exhaustion. Depression is hard to be around. You can't ignore it; people still have to get their work done. You can help by restoring people's sense of having some control over their situations.

If you suppress the feelings and push people to get over them, it will be difficult to successfully enter into the new changes with any sense of commitment or enthusiasm. If you want to engage people to support an initiative with their hearts and minds, you must recognise their feelings, and acknowledge their losses before moving into new beginnings.

## Managing Organizational Change

Organizational change occurs when a company makes a transition from its current state to some desired future state. Managing organizational change is the process of planning and implementing change in organizations in such a way as to minimize employee resistance and cost to the organization while simultaneously maximizing the effectiveness of the change effort.

Today's business environment requires companies to undergo changes almost constantly if they are to remain competitive. Factors such as globalization of markets and rapidly evolving technology force businesses to respond in order to survive. Such changes may be relatively minor—as in the case of installing a new software program—or quite major—as in the case of refocusing an overall marketing strategy, fighting off a hostile takeover, or transforming a company in the face of persistent foreign competition.

Organizational change initiatives often arise out of problems faced by a company. In some cases, however, companies change under the impetus of enlightened leaders who first recognize and then exploit new potentials dormant in the organization or its circumstances. Some observers, more soberly, label this a "performance gap" which able management is inspired to close.

But organizational change is also resisted and—in the opinion of its promoters—fails. The failure may be due to the manner in which change has been visualized, announced, and implemented or because internal resistance to it builds. Employees, in other words, sabotage those changes they view as antithetical to their own interests.

### **AREAS OF ORGANIZATIONAL CHANGE**

Students of organizational change identify areas of change in order to analyze them. Daniel Wischnevsky and Fariborz Daman, for example, writing in *Journal of Managerial Issues*, single out strategy, structure, and organizational power. Others add technology or the corporate population ("people"). All of these areas, of course, are related; companies often must institute changes in all areas when they attempt to make changes in one. The first area, strategic change, can take place on a large scale—for example, when a company shifts its resources to enter a new line of business—or on a small scale—for example, when a company makes productivity improvements in order to reduce costs. There are three basic stages for a company making a strategic change: 1) realizing that the current strategy is no longer suitable for the company's situation; 2) establishing a vision for the company's future direction; and 3) implementing the change and setting up new systems to support it.

Technological changes are often introduced as components of larger strategic changes, although they sometimes take place on their own. An important aspect of changing technology is determining who in the organization will be threatened by the change. To be successful, a technology change must be incorporated into the company's overall systems, and a management structure must be created to support it. Structural changes can also occur due to strategic changes—as in the case where a company decides to acquire another business and must integrate it—as well as due to operational changes or changes in managerial style. For example, a company that wished to implement more participative decision making might need to change its hierarchical structure.

People changes can become necessary due to other changes, or sometimes companies simply seek to change workers' attitudes and behaviors in order to increase their effectiveness or to stimulate individual or team creative-ness. Almost always people changes are the most difficult and important part of the overall change process. The science of organization development was created to deal with changing people on the job through techniques such as education and training, team building, and career planning.

## **RESISTANCE TO CHANGE**

A manager trying to implement a change, no matter how small, should expect to encounter some resistance from within the organization. Resistance to change is normal; people cling to habits and to the status quo. To be sure, managerial actions can minimize or arouse resistance. People must be motivated to shake off old habits. This must take place in stages rather than abruptly so that "managed change" takes on the character of "natural change." In addition to normal inertia, organization change introduces anxieties about the future. If the future after the change comes to be perceived positively, resistance will be less.

Education and communication are therefore key ingredients in minimizing negative reactions. Employees can be informed about both the nature of the change and the logic behind it before it takes place through reports, memos, group presentations, or individual discussions. Another important component of overcoming resistance is inviting employee participation and involvement in both the design and implementation phases of the change effort. Organized forms of facilitation and support can be deployed. Managers can ensure that employees will have the resources to bring the change about; managers can make themselves available to provide explanations and to minimize stress arising in many scores of situations.

Some companies manage to overcome resistance to change through negotiation and rewards. They offer employees concrete incentives to ensure their cooperation. Other companies resort to manipulation, or using subtle tactics such as giving a resistance leader a prominent position in the change effort. A final option is coercion, which involves punishing people who resist or using force to ensure their cooperation. Although this method can be useful when speed is of the essence, it can have lingering negative effects on the company. Of course, no method is appropriate to every situation, and a number of different methods may be combined as needed.

## **TECHNIQUES FOR MANAGING CHANGE EFFECTIVELY**

Managing change effectively requires moving the organization from its current state to a future desired state at minimal cost to the organization. Key steps in that process are:

1. Understanding the current state of the organization. This involves identifying problems the company faces, assigning a level of importance to each one, and assessing the kinds of changes needed to solve the problems.
2. Competently envisioning and laying out the desired future state of the organization. This involves picturing the ideal situation for the company after the change is implemented, conveying this vision clearly to everyone involved in the change effort, and designing a means of transition to the new state. An important part of the transition should be maintaining some sort of stability; some things—such as the company's overall mission or key personnel—should remain constant in the midst of turmoil to help reduce people's anxiety.
3. Implementing the change in an orderly manner. This involves managing the transition effectively. It might be helpful to draw up a plan, allocate resources, and appoint a key person to take charge of the change process. The company's leaders should try to generate enthusiasm for the change by sharing their goals and vision and acting as role models. In some cases, it may be useful to try for small victories first in order to pave the way for later successes.

Change is natural, of course. Proactive management of change to optimize future adaptability is invariably a more creative way of dealing with the dynamisms of industrial transformation than letting them happen willy-nilly. That process will succeed better with the help of the the company's human resources than

## The Role of Thinking and Feeling

**Thinking** differently can help change behaviour and lead to better results.

- Collect data, analyse it
- Present the information logically to change people's thinking
- Changed thinking, in turn, can change behaviour.

**Feeling** differently can change behaviour MORE and lead to even better results.

- Create surprising, compelling, and, if possible, visual experiences
- The experiences change how people feel about a situation.
- A change in feelings can lead to a significant change in behaviour.

## Follow these strategies for managing change



When you throw a pebble into a pond, you create ripples in the water. You get the same ripples when you create a change in your business.

Think about these strategies for managing your change, so that ripples do not become major waves - that ruin your plans!

### 1. Decide on your Change Goal

Start with the end in mind. What do you want to achieve? How will you know if it has been achieved? Who is affected and how will they react? How much can you do yourself and how much help do you need?

You need to have a clear vision - people like to either see/hear or feel the change.

### 2. Consider Timing

Think about the best time to instigate change. The greater the degree of change needed, the more useful it is to "piggy back" the change on some actual or perceived crisis. For example, improvements in work practices may be more acceptable in times of recession when people are concerned about keeping their jobs.

You may find that there is a natural window of opportunity where the change makes sense to the majority of people. Realise that major change takes time and allow for that. If you attempt to rush through a change, attitudes may not have changed and the change effect may not last in the long term.

### 3. Be Aware of Culture

Most change initiatives fail because of a lack of recognition of the importance of culture. It is difficult to define, but if change is to work, you need to be aware of "the way we do things around here".

When planning strategies for managing change, aim to involve people in identifying the "cultural web" in your business.

### 4. Create Visible Short-term Wins

Help people to see the benefits of change in the short term. For example, if you are changing how you interact with customers, publicise some of the positive feedback from them to encourage staff to continue with the new ways of working.



## **5. Communicate**

Recognise that effective communication may be the single most important factor in overcoming resistance to change. Communicate your vision and strategic intent clearly. Be honest and encourage two way discussion.

Use a variety of media (1 to 1, 1 to many, circulars, noticeboards etc.) depending on nature and sensitivity of the change. And involve all levels in the business in communicating the change.

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### ***Why Change Management Programmes Fail***

Here are some common reasons why strategies for managing change do not work. Take note if you are the change agent, so that you don't make the same mistakes when planning your strategies for managing change:

- Unclear or incorrect goals or vision
  - Insufficient communication and motivation
  - Change seen as a senior management issue only
  - Implementation strategy not thought through
  - Initial problems throw project off course
  - Too much focus on the technical side of change - rather than people issues
  - Culture not changed
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### ***Strategies for Managing Change - Step by Step***

If you are the change agent responsible for managing a change, follow these steps as well as the change management strategies outlined above to help the change happen smoothly:

1. Hold Management Visioning and Planning workshops using change management tools (click here for suggestions)
  2. Agree a clear vision of what change will achieve
  3. Assemble a change management team
  4. Engage and involve all employees through workshops and other communication methods
  5. Amend vision and plan based on discussions with employees
  6. Communicate with imagination
  7. Manage change project
  8. Stay committed until change is established (refrozen)
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### ***Strategies for Managing Change in a Crisis***

Different change management methodologies are called for when the business is in real danger. A turnaround strategy is needed, with the emphasis on speed of change, rapid cost reduction and/or revenue generation.

Managers need to be able to prioritise the things that give quick and significant improvements. Here are important steps that need to be taken in a crisis:

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- stabilise crisis
- prioritise critical improvement areas
- restructure finances
- refocus on vision and goals
- clarify target markets
- Win stakeholder support
- Change management team if necessary

You may benefit from the services of a change management consultant in such situations.

## Managing Change

As increasingly powerful informatics systems are designed, developed, and implemented, they inevitably affect larger, more heterogeneous groups of people and more organizational areas. In turn, the major challenges to system success are often more behavioral than technical. Successfully introducing such systems into complex health care organizations requires an effective blend of good technical and good organizational skills. People who have low psychological ownership in a system and who vigorously resist its implementation can bring a “technically best” system to its knees. However, effective leadership can sharply reduce the behavioral resistance to change—including to new technologies—to achieve a more rapid and productive introduction of informatics technology. This paper looks at four major areas—why information system failures occur, the core theories supporting change management, the practical applications of change management, and the change management efforts in informatics.

***It's not the progress I mind, it's the change I don't like. —Mark Twain***

Along with the inevitable failures, medical informatics has had many successes—probably more than should have been expected, given the challenges of the hardware, software, and infrastructure that faced us in the past. However, many of the successful systems were implemented as stand-alone systems that involved a modest number of people. Furthermore, the systems were often implemented in specific, limited areas that could see potential direct benefits from the systems. Typically, there were local champions, who made major and personal commitments to the success of the systems, and the enthusiasm of these champions was readily transmitted to the people with whom they worked directly. In turn, most of the people working on these systems felt like pioneers, and the literature of medical informatics is filled with their accomplishments.

When we embark today on designing, developing, and implementing more complex systems that have wider impact, a new set of challenges looms even larger. Certainly, technical challenges still exist; they always will. However, as our new systems affect larger, more heterogeneous groups of people and more organizational areas, the major challenges to systems success often become more behavioral than technical.

It has become apparent in recent years that successfully introducing major information systems into complex health care organizations requires an effective blend of good technical and good organizational skills. A “technically best” system can be brought to its knees by people who have low psychological ownership in the system and who vigorously resist its implementation. The leader who knows how to manage the organizational impact of information systems can sharply reduce the behavioral resistance to change, including to new technology, to achieve a more rapid and productive introduction of information technology.

Knowledge of the significance of people and organizational issues is not new. One of our informatics pioneers, Octo Barnett, identified political and organizational factors as being important 30 years ago.<sup>1</sup> However, given the realities of that era, they were “well down the list.” By 1998, Reed Gardner, another definite pioneer, stated in his Davies Lecture<sup>2</sup>:

In my opinion, the success of a project is perhaps 80 percent dependent on the development of the social and political interaction skills of the developer and 20 percent or less on the implementation of the hardware and software technology!

We are seeing a shift in the balance of the people and organizational issues as opposed to the technical issues. An effective medical informatics change strategy can help convert what health care organizations are experiencing today—technology-centered tension—into welcomed opportunities that will lead to improvement in all phases of the health care process.

The content that supports both the intellectual content and strategy for this cornerstone comes from multiple disciplines, e.g. psychology, sociology, management, and anthropology. This paper discusses four major topics—why information system failures occur, the core theories supporting change management, the practical applications of change management, and the change management efforts in informatics.

### ***Why Do Information System Failures Occur?***

Complex problems rarely have simple solutions. During the many stages of the solution process, there are numerous opportunities to go wrong, whether the solution tends to be a technical one or not. As we delve into increasingly complex medical informatics problems, we will increasingly face this challenge. In reviewing information system failures cited in the literature as well as drawing on our personal observations and experiences, we have seen the rising importance of the human issues that are often referred to as people and organizational issues.

### ***Change and Change Management***

*Technology has indeed taken a place next to war, death, divorce, and taxes as a prime cause of bone-shuddering anxiety.—John Seymour*

Change is a constant in both our professional and our private lives. Our children grow up taking for granted such things as powerful personal computers that we could not envision at their ages. The idea that human beings naturally resist change is deeply embedded in our thinking about change. Our language (e.g., “resistance to change”), our assumptions, and our mental models about change all seem to imply that something in our natures leads us to resist change. However, it is easy to find examples of human beings, from childhood on through old age, actively seeking out change of all sorts. Human beings do not necessarily resist change automatically; however, many people do resist being changed, i.e., having changes imposed on them.

Organizational change normally involves some threat, real or perceived, of personal loss for those involved. This threat may vary from job security to simply the disruption of an established routine. Furthermore, there may be tradeoffs between the long and short run. As an individual, I may clearly perceive that a particular proposed change is, in the long run, in my own best interests, and I may be very interested in seeing it happen, yet I may have short-run concerns that lead me to oppose particular aspects of the change or even the entire change project.

The rate of change is escalating in virtually all organizations. The pressure is intense on anybody connected with the health-related world to focus time and attention on understanding the forces driving the changing environment and develop or implement the information systems needed to support the altered environment.

### **Change Management**

The phrase *change management* is very common in management articles as well as newspapers. Moreover, managerial interest in the topic has been stimulated by the comments of Peter Drucker as to whether one can manage change at all or merely lead or facilitate its occurrence within an organization. Nevertheless, using the traditional terminology, what is meant by change management, how did it evolve, and why has this concept become so important?

Change management is the process by which an organization gets to its future state, its vision. While traditional planning processes delineate the steps on the journey, change management attempts to facilitate that journey. Therefore, creating change starts with creating a vision for change and then empowering individuals to act as change agents to attain that vision. The empowered change management agent's need plans that provide a total systems approach, are realistic, and are future oriented. Change management encompasses the effective strategies and programs to enable those change agents to achieve the new vision.

Today's change management strategies and techniques derive from the theoretic work of a number of early researchers.

## **Practical Applications of Change Management**

*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.—Niccolo Machiavelli*

One of the most difficult problems organizations face is dealing with change. In today's rapidly changing, highly competitive environment, the ability to change rapidly, efficiently, and almost continually will distinguish the winners from the losers. Many health-related organizations will disappear because they find themselves unable to adapt. Furthermore, many of the pressures for change in health care organizations are independent of technologic change. This means that informaticians working for change are doing so in organizations that are already highly stressed by other pressures.

Major organizational changes typically involve many different types and levels of personal loss for the people in the organization. For example, change always requires the effort to learn the new, which is a loss in terms of time and energy that could have been used elsewhere. Although some may welcome the learning opportunity, many of us don't want to invest that time and energy unless we are dissatisfied with the current arrangements or see powerful advantages to the proposed change. Upgrading to new software is a common example, in which the future benefits may not be seen as sufficient to outweigh the short-term investment required to learn the new programs.

Second, people want to feel good about themselves. Ideally, people are able to take pride in their work, feel responsible for a job well done, feel they are part of a high-quality enterprise, and feel that their time has some significance. In many work situations, the work itself and the organizational culture make it difficult for people to feel good about themselves. In these poorer situations, people usually invent strategies to help them feel better about themselves, and these strategies involve getting some sense of control, belongingness, and significance out of their work. Sometimes this involves opposition to management, on the assumption that management is always up to no good. More commonly, the worker-management relationships are not completely alienated. Still, the workers' strategies for achieving "good" feelings are unknown to or quite misunderstood by management. Therefore, change initiatives, unknowingly and unintentionally, threaten to cause the workers serious personal loss. Not surprisingly, the workers resist and do all they can to sabotage such change initiatives.

Third, change initiatives often require large losses for middle managers. Generally, people perceive that information systems increase the ability of top executives to know more about what is going on and to exert more direct control. This means a serious loss of personal and organizational significance for the middle manager. Sometimes middle managers fight this loss. Any significant organizational change involves changing habits, that is, changing the way we actually do our work. This usually involves changes in the way we interact, both with people and our tools. New systems require us to learn a new set of behaviors.

### **Types of Change**

Changes in an organization can often be identified as one of four types, with the definite possibility of overlap among them:

- *Operational changes* affect the way the ongoing operations of the business are conducted, such as the automation of a particular area.
- *Strategic changes* occur in the strategic business direction, e.g., moving from an inpatient to an outpatient focus.
- *Cultural changes* affect the basic organizational philosophies by which the business is conducted, e.g., implementing a continuous quality improvement (CQI) system.
- *Political changes* in staffing occur primarily for political reasons of various types, such as those that occur at top patronage job levels in government agencies.

These four different types of change typically have their greatest impacts at different levels of the organization. For example, operational changes tend to have their greatest impacts at the lower levels of the organization, right on the firing line. People working at the upper levels may never notice changes that cause significant stress and turmoil to those attempting to implement the changes. On the other hand, the impact of political changes is typically felt most at the higher organizational levels. As the name implies, these changes are typically made not for results-oriented reasons but for reasons such as partisan politics or internal power struggles. When these changes occur in a relatively bureaucratic organization, as they often do, those working at the bottom often hardly notice the changes at the top. Patients are seen and the floors are cleaned exactly as they were before. The key point is that performance was not the basis of the change; therefore, the performers are not much affected.

## The Cast of Characters

For any given change, people can occupy a wide range of roles that will strongly influence their perceptions of the change and their reactions to it. These are roles such as champion, end user, developer/builder, watchful observer, obstructionist, and such. As on the stage, some people may occasionally play more than one role. In other cases, the roles are unique. Unless we clearly identify both the players and their roles in any change situation, we risk making decisions and taking action based on generalizations that are not true for some of the key players.

An overview term often applied to the various roles is stakeholders. The stakeholders have some interest or stake in the quality of both the change and the change implementation process. The role of the stakeholders are subject to change, especially during a change process that extends over some time.

For those implementing change, the following steps are critical:

- To identify what roles they themselves are occupying in the process
- To identify what roles the others involved in the process are playing, being careful to recognize multiple roles
- To identify carefully which role is speaking when one is communicating with those playing multiple roles
- To monitor throughout the process whether any roles are changing

## Resistance to Change

*It is easy to change the things that nobody cares about. It becomes difficult when you start to change the things that people do care about—or when they start to care about the things that you are changing.—Lorenzi and Riley*

Resistance to change is an ongoing problem. At both the individual and the organizational levels, resistance to change impairs concerted efforts to improve performance. Many corporate change efforts have been initiated at tremendous cost only to be halted by resistance among the organization's employees. Organizations as a whole also manifest behavior similar to that of individuals when faced with the need to change.

The relationship between individual and organizational resistance to change is important. An organization is a complex system of relationships between people, leaders, technologies, and work processes. From this interaction emerges organizational behavior, culture, and performance.

These emergent properties and behaviors are tightly linked in two directions to the lower-level interactions. Organizational resistance to change is an emergent property, and individual resistance to change can give rise to organizational resistance. A self-reinforcing loop of increasing resistance can develop as individuals create an environment in which resistance to change is the norm. That environment in turn encourages increased resistance to change among individual employees. The self-reinforcing nature of this loop can be tremendously powerful, defeating repeated attempts to break out of it.

Studies of system dynamics frequently reveal that major problems that everyone thought were external are actually the unintended consequences of internal policies. The basic dynamic behind this phenomenon is that the organization is made up of a network of circular causal processes: A influences B, which then influences C, which in turn influences A, i.e., the snake bites its own tail. Understanding these internal organizational dynamics is a prerequisite for leading effective change processes.

## The Road Ahead

*I'm very interested in the future because I plan to spend the rest of my life there.—Robert Wood Johnson*

As medical informatics becomes involved in ever larger and more complex systems, both the overall organizational leaders and the informatics leaders must adapt to the following realities.

When the impact of technologic change is being managed, people's needs come first: Without people, we don't have an organization. We must implement the new technologies to do what they do best—structured, repetitive work—and let the people do what they do best—think, be creative, and solve problems. People are far better at reviewing boring work than doing it. It is because of these concepts that workflow technology is rapidly changing the role of today's information worker from an information transcriber and mover to a true knowledge worker—an information user.

The knowledge workers are the foundation. According to Peter Drucker in “The New Society of Organizations,” the world economy is in the midst of transformation to the “knowledge society.” Increasingly, knowledge is not just one resource among many; it is “the primary resource for individuals and for the economy overall.” The essential purpose of management in the knowledge society is to encourage systematic organizational innovation. Drucker makes the important point that in a knowledge economy, the true source of competitive advantage is not so much technology, research and development, or even knowledge itself. It is the people, the knowledge workers whose skills and expertise are the foundation for all innovation.

We need to develop a new way of looking at how we currently function in our organizations. Management and workers will have to come together to build better, more productive work environments by understanding the long-term issues affecting their future and by creating a new way of thinking about how these current enabling technologies can best be used.

### **Technology Is Not Enough**

Because technology investments are largely made up of things (i.e., hardware and software), it is easy to make the mistake of believing that a technology is implemented once it has been bought and installed. In fact, nothing works without people. These human issues become magnified in the process of redesigning work processes. Many work-process redesign projects focus exclusively on technology and fail to address the human and organizational aspects of work. In these instances, organizations fail to explore nontechnical solutions to improving organization processes, such as training or changes in structures, procedures, and management practices. Most often, technology strategy drives organizational change. While the business strategy may be clear, it is often not reflected in a defined organizational change strategy.

Too many technically good applications have failed because of sabotage by users who like the old ways in which things were done. Managing the natural resistance to change and helping convert that resistance into commitment and enthusiasm must be a planned process. New systems should enhance the quality of work life and increase responsibility, empowerment, and motivation.

### **The Role of Customers**

We must rethink our customers' needs, using the concept of customer in the broad sense in the complex health care world. Any time our customers see us doing something better, we win. The message is that we need to identify correctly those parts of our processes that are visible to our customers and consider reengineering them first. The real key is to ensure that we are getting the right process right. For example, Mutual Benefit in the United States transformed their insurance policy issuing and payment process. They were ecstatic with the results of redesigning what had previously been a 24-day process of paying insurance claims, after the redesign payments could be made, in less than a day, generally within three hours. Within 90 days after implementing the new processes, they filed for protection from their creditors. Why? They did not pay equal attention to re-engineering the processes that brought in the money.

However, the concept of customer needs is also important in the internal sense. In these times of increasing change, it will be even more critical that our people do not perceive that changes are being made just for the sake of change. When the culture is focused on constantly improving the meeting of customer needs, the rationale for rapid and frequent changes becomes much clearer to those in the organization. This point is constantly stressed by Oren Harari in his books and monthly columns in *Management Review*.

### **The Road to Success**

Common wisdom suggests that technology drives change in the organizational environment, but common wisdom is wrong. Instead, information technology is a powerful enabling force that creates new options and opportunities in the environment for what organizations produce—whether goods or services—and how they produce it. The early response by innovative players drives change. Each of the enabling technologies has the potential to transform one or more dimensions of the workplace. Taken together they act as a powerful set of technologies that organizations will have to harness to be successful in the 21st century. There are no quick fixes. Solving these problems requires a

response targeted to the needs of our organization, but we need to know how our organization's strategy will play out in the environment as a whole.

The road ahead will not be an easy one. However, the medical informatics area is poised to create outcomes that many of us could only dream of a few years ago. Our challenge will be to implement our concepts and systems as smoothly as possible, not wasting our precious opportunities and resources because we ignored the pitfalls of managing change.

### Key Terms

**Adhocracy** A type of organization design which is temporary, adaptive and creative, in contrast with bureaucracy which tends to be permanent, rule-driven and inflexible

**Administrative Controls** Formalized standards, rules, procedures and disciplines to ensure that the organization's controls are properly executed and enforced

**Area Structure** The organization is structured according to geographical areas

**Basic Assumptions** A term used by Schein to refer to the origins of values and cultural artefacts in organizations. Basic assumptions are shared and deeply embedded presuppositions about issues such as whether human beings do or should live for the moment (immediate gratification) or see their activities as a means to a future end or goal (deferred gratification)

**Behavioural Control** A form of control based on direct personal supervision which is responsive to the particular needs of the tasks, the abilities of the manager and the norms of the organization

**Belief System (Formal)** The explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organization

**Bureaucracy** Describes a form of business administration based on formal rational rules and procedures designed to govern work practices and organization activities through a hierarchical system of authority.

**Business Model** The organization's essential logic for consistently achieving its principle objectives- explains how it consistently makes money, highlights the distinctive attributes of the organisation

**Business Process Reengineering (BPR)** The redesign of business processes in an effort to reduce costs, increase efficiency and effectiveness and improve quality. BPR is characterized as radical rather than incremental in its approach to change and broad rather than narrow in its organization impact

**Change Agent** Any person seeking to promote, further, support, sponsor, initiate, implement or help to deliver change within the organization

**Classical Approach** The organization is thought of in terms of its purpose and formal structure and this approach aims to identify how methods of working can improve productivity. Emphasis is placed on the planning of work, the technical requirements of the organization, principles of management and the assumption of rational and logical behaviour

**Classical Approach to Management** The organization is thought of in terms of its purpose and formal structure and this approach aims to identify how methods of working can improve productivity. Emphasis is placed on the planning of work, the technical requirements of the organization, principles of management and the assumption of rational and logical behaviour

**Code of Ethics** A set of ethical-behaviour rules developed by organizations or by professional societies

**Communication Climate in an Organization** The prevailing atmosphere, open or closed, in which ideas and information are exchanged

**Configuration** The shape of the organization's role structure the structures, processes and relationships through which the organization operates

**Contingency Approach** An extension of the systems approach that implies organizational variables (e.g. strategy, structure and systems) and its success or performance is dependent upon environmental influences (forces). There is, therefore, no one best way to structure or manage organizations; rather it must be dependent upon the contingencies of the situation

**Contingency Approach to Organization Structure** A perspective which argues that an organization, to be effective, must adjust its structure in a manner consistent with the main type of technology it uses, the environment within which it operates, its size and other contextual factors

**Contingency Theory of Leadership** A view which argues that leaders must alter their style in a manner consistent with aspects of the context

**Continuous Change** Organizational changes that tend to be ongoing, evolving and cumulative

**Control** Ensuring plans are properly executed; assuring the organization functions as planned

**Controlled Performance** Setting standards, measuring performance, comparing actual with standard and taking corrective action if necessary

**Controlling** Ensuring plans are properly executed; assuring the organization functions as planned

**Cooperative** Business organizations owned and operated by a group of individuals for their mutual benefit

**Core Competence** Those capabilities fundamental to the organization's strategy and performance

**Core Values** Core values are the principles that guide an organization's actions

**Corporate Culture** Defined by Bower as 'the way we do things around here'. Trice and Beyer elaborated this as: 'the system of . . . publicly and collectively accepted meanings operating for a given group at a given time'. Hofstede describes corporate culture as 'the psychological assets of an organization, which can be used to predict what will happen to its financial assets in five years time'

**Corporate Governance** The system used to control and direct a company's operations

**CSR-Corporate Social Responsibility** A concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on all stakeholders, including the environment

**Organization Development** A systematic process aimed at improving organizational effectiveness and adaptiveness on the basis of behavioural science knowledge; typical stages in an OD programme include analysis, diagnosis, action plans and review, an external third party assists the process. (See also Change Agent)

**Organizational (Corporate) Culture** A set of values, beliefs, goals, norms and rituals that members of an organization share

**Organization** A group of people with a common purpose who work together to achieve shared goals (see formal organization and informal organization)

**Organization Theory** The study of the structure, functioning and performance of organizations and the behaviour of groups and individuals within them (see also organizational behaviour)

**Organizational Behaviour** The study of the structure, functioning and performance of organizations and the behaviour of groups and individuals within them

**Organizational Change** The alteration of organizational components (such as the mission, strategy, goals, structure, processes, systems, technology and people) to improve the effectiveness or efficiency of the organization

**Organizational Design** The design of an organization patterns its formal structure and culture. It allocates purpose and power to departments and individuals.

**Matrix Management** A system of management operating in a horizontal as well as vertical organization structure, where, typically, a manager reports to two superiors – one a departmental/line manager and the other a functional/project manager

**7-s Model** A model for organizational analysis and dynamics including components: strategy, structure, systems, style, staff, shared values and skills