

JOHN HAYES

THE **THEORY** AND
PRACTICE OF
CHANGE
MANAGEMENT



SIXTH
EDITION

‘A powerhouse of a book – deftly takes the reader through the stages of organizational change, from diagnosing the need to sustaining organizational learning. Appealing visuals, case studies, video interviews, process maps, and diagnostic tools bring change management concepts to life and actively engage the reader. The 6th edition explores ‘big bang’ changes, destructive leadership, and ethical behavior strategies to counter potentially negative trends. Rich in detail and broad in scope – a must-have resource for professionals and students alike.’

– **Marcia A. Beck**, *University of Miami, USA*

‘In this updated edition, there is even more to like about John Hayes’s text! With many new case examples from around the world – including small, medium and family businesses – this text continues to both inform our understanding of theoretical concepts and provide practical exercises on how to facilitate change more successfully. This text is indispensable for practitioners and students wanting to improve their knowledge of change concepts and apply these theories to practice. It is a vital guide to making sense of situations and provides ideas on how to achieve successful positive outcomes. I highly recommend this book – it is essential reading.’

– **Jane Boeske**, *University of Southern Queensland, Australia*

‘The structure of the book is excellent and makes the subject matter easier for students to digest. Couple this with the fact the book has a good balance of exercises, case studies, research reports and practitioner input and the result is a Change Management textbook that is perfect for students.’

– **Sam Burvill**, *Swansea University, UK*

‘There is no better resource to guide organisational response to change than Hayes’ 6th edition. Not all organisations are the same, and this book caters for different types of organisational change needs by using various cases from the private, public and not for profit sectors, as well as from large, small and family owned businesses to major global corporations. Notwithstanding the differences among organisations, *The Theory and Practice of Change Management* emphasises responsible change management processes that provide pathways for change leaders and practitioners to utilise when reflecting on their own circumstances and experiences.’

– **Nasir Butrous**, *Australian Catholic University, Australia*

‘This book, now in its sixth edition, continues to represent a comprehensive and systematic, state-of-the-art guide to managing change in organizations. In its chapters students, educators and professionals will find a valuable array of expert perspectives and evidence-based change frameworks and skills.’

– **Thomas Calvard**, *University of Edinburgh, UK*

‘This new edition of John Hayes’ book provides a strong portfolio of theoretical perspectives, hands-on guidance and illustrative examples for the management of changes, structured around a framework of working with changes from a process perspective. This brings the multifacetedness and multidimensional unfolding of change processes to the fore, making the book a fertile learning ground for personal, organisational, and educational contexts.’

– **Anja Maier**, *Technical University of Denmark*

‘I did not think that previous editions could be improved upon. I was wrong. Dr. Hayes has provided a useful, readable guide to change management for students at all levels and practitioners. *The Theory and Practice of Change Management* will prepare one to face the challenges caused by a constantly changing, turbulent environment.’

– **Nicholas Miceli**, *Park University, USA*

‘Comprehensive and well-organized. Concepts are presented in a detailed but accessible manner. Definitely required reading for any student, practitioner, and instructor of the topic.’

– **Yu Kang Yang Trevor**, *Nanyang Technological University, Singapore*

‘Managing the people issues is one of the core challenges for realizing successful change in organizations. By repositioning all relevant theories and practical issues on this subject into a new state of the art section, this new edition stays relevant for MSc and MBA students alike.’

– **Antonie van Nistelrooij**, *Vrije Universiteit Amsterdam, Netherlands*

For Mercia

THE THEORY AND PRACTICE OF CHANGE MANAGEMENT

SIXTH EDITION

JOHN HAYES



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This edition published 2022 by

RED GLOBE PRESS

Previous editions published under the imprint PALGRAVE

Red Globe Press in the UK is an imprint of Macmillan Education Limited, registered in England, company number 01755588, of 4 Crinan Street, London, N1 9XW.

Red Globe Press® is a registered trademark in the United States, the United Kingdom, Europe and other countries.

ISBN 978-1-352-01255-2 hardback

ISBN 978-1-352-01253-8 paperback

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

A catalog record for this book is available from the Library of Congress.

Publisher: Ursula Gavin

Development Editor: Milly Weaver

Assistant Editor: Christian Ritter

Cover Designer: eStudio Calamar

Senior Production Editor: Amy Brownbridge

Senior Marketing Manager: Amanda Woolf

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ABOUT THE AUTHOR

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PREFACE

On many academic programmes, change management is positioned as the integrating course because it requires students to reflect on and synthesize the various perspectives on organizational functioning offered by other modules, such as finance, operations management, marketing, organizational behaviour and strategic management.

Studying change management is important because factors such as the availability of credit, technological advances, changing patterns of demand, increasing competitive pressures, changes in the boundaries of organizations, the development of new organizational forms, regulatory reforms and globalization are creating opportunities and threats that organizations need to address if they are to survive and prosper. Managers, at all levels, have to be competent at identifying the need for change. They also have to be able to act in ways that will secure change. Getting it ‘wrong’ can be costly. Thus, it is imperative that managers get it ‘right’, but getting it ‘right’ is not easy. There is no single ‘recipe’ that can be applied to all organizations at all times. This book addresses a broad range of issues that will affect the likelihood that change efforts will be successful.

This book is not only about managing change in listed private sector companies. It is about the theory and practice of change management in all types of organizations. Many of the organizations featured in case studies and examples are small or medium-sized enterprises, and the management of change in public sector and not-for-profit organizations, such as healthcare, police and charitable bodies, is also discussed.

Not all organizations are the same. Non-economic, family-centred goals can have a big impact on the management of change in family businesses and, in some countries, the short tenure and frequent turnover of top leaders due to elections and the political nature of many senior appointments can make it difficult to implement plans for change. Notwithstanding these differences, there are many similarities in the issues that can affect the management of change, and the generic model of the process of change management, presented in Chapter 2, is relevant for the management of change in all types of organizations.

Studying change management will provide you with an opportunity to reflect on what you have learned from other courses and from your work experience, particularly:

- *sense making*: drawing on different perspectives of organizational functioning
- *ways of knowing*: looking at different sources of data and evaluating evidence
- *shaping behaviours*: examining ways of influencing and coordinating behaviour
- *designing interventions*: considering ways of ‘doing’ that purposely disrupt the status quo in order to move the organization towards a more effective state.

The Theory and Practice of Change Management does what it says on the cover. It provides a scholarly discussion of change management (the *theory*) and a host of insights into how theory can be applied to improve your *practice* of change management. It aims to help you:

- develop your investigative and diagnostic skills so that you will be more effective in assessing what is going on in organizations
- extend your ability to manage issues arising from internally planned and externally imposed organizational changes
- improve your awareness of how people can facilitate or resist change, and extend your ability to manage human resources in the context of change.

KEY CHANGES TO THE SIXTH EDITION

Revised structure and new chapter

The chapters on managing people issues have been moved. People issues have to be addressed throughout the change process, but they are particularly important when implementing change. For this reason, the chapters on managing people issues (Part IV in the fifth edition) have been repositioned as a new Part V, immediately before Part VI Implementing change and reviewing progress.

Building change relationships has been moved from Part II Recognizing the need for change to the new Part V Leading and managing the people issues.

The chapter on value innovation has been retitled Using value innovation to identify new opportunities and moved to Part II Recognizing the need for change and starting the change process.

The six chapters on interventions (Appreciative inquiry, Training and development, High performance management, Business process re-engineering, Lean, and Culture profiling) have been condensed into a new Chapter 13 (Types of intervention classified according to focal issues). Unabridged versions of the original Chapters 19–25 have been moved to the companion website.

The discussion of the sources of change has been extended to include new content on disruption and is presented as Chapter 4 in Part II.

Diagnosis

Chapter 8 has been expanded to include a more detailed discussion of the key steps in the diagnostic process and to explain how each step contributes to the identification of possibilities for improvement.

Responding to pervasive big-bang disruptions such as the COVID-19 pandemic

The COVID-19 pandemic is a low probability, high-impact event that has threatened the viability of many organizations and the economic and social systems in which they are embedded. This type of event is characterized by sudden onset, uncertainty about the nature and duration of its effects and uncertainty about how it can be resolved. There are other examples of this kind of event, other pandemics such as SARS, extreme weather events such as Hurricane Katrina that devastated New Orleans (2005), natural events such as the Great East Japan earthquake (2011), terrorist attacks such as 9/11 and the 2008 financial crisis. These events are referred to, in Chapter 4, as pervasive big-bang disruptions.

Diagnosing big-bang change is discussed in Chapters 8 and 9. Just as medics attending to seriously injured soldiers on a battlefield may have to restrict their attention to what needs to be done to keep the patient alive until they can be transferred to hospital, so managers might need to focus their attention on diagnosing the most pressing threats to business continuity.

Big-bang disruptions might also call for bespoke change strategies. Sometimes, a top-down, push strategy might be called for, but in Chapter 10 attention is given to those occasions where a more collaborative approach could be more effective. Effective strategies might involve crisis management teams dealing with the immediate emergency, and plan-ahead teams gathering forward-looking intelligence and developing multiple scenarios that model different versions of the organization's future.

Emergency planning is the traditional way of coping with predictable adverse events. It involves managers identifying risks and using this assessment to develop emergency plans. Emergency planning is discussed in Chapter 11.

When managers have to deal with unpredictable events, emergency planning may not be sufficient. In these circumstances, the most effective way forward might be to focus on improving the organization's resilience, its ability to absorb, develop situation-specific responses and, ultimately, engage in transformative activities to capitalize on such disruptive surprises. Managing resilience is discussed in Chapter 13. How an organization's past success can undermine an organization's resilience is discussed in Chapter 5.

In Chapter 16, the way unprecedented surprises can lead to a collapse of sense making is considered. Attention is also given to how leaders down the line can contribute to the management of crisis situations.

Communications are important when confronted by big-bang changes. Relational connections and boundary-spanning activities are considered in Chapter 20. They are important because they can facilitate the developments of networks that can act as conduits for information transfer, knowledge creation and innovation.

Family businesses

Managing change in family businesses is a new theme, which is discussed in several chapters. Family businesses are often neglected but they dominate in many emerging economies, represent 90 per cent of all businesses in the USA, and account for 43 per cent of all large businesses in Germany. Issues considered include the tension between maintaining socioemotional wealth and maximizing profit, managing talent, the role of non-family members and other factors affecting their readiness for change and speed of response.

Destructive leadership

Leaders may be under considerable pressure to secure a change, and this may propel some of them to take shortcuts, falsify data and coerce others to do their bidding. New material in Chapter 6 considers the nature and consequences of destructive leadership.

Promoting responsible behaviour and ethical change management

Chapter 19 includes new material on practical measures that managers can take to promote responsible behaviour at every level in an organization. It reviews top-down, compliance-based and bottom-up, values-based approaches and considers the benefits of implementing a combined integrity management framework.

Learning objectives

Learning objectives have been introduced at the beginning of each chapter.

References

References have been moved from the end of each chapter to the end of the book, but they are still presented under individual chapter headings.

New case studies and examples

Some cases and examples have been moved to the companion website to make way for over 20 new cases and examples from around the globe, including Southeast Asia, Africa and South America.

PATHWAYS

One of the strengths of this book is its broad scope. Not everybody, however, will want to read all 29 chapters. Some may want a quick overview of the ‘essentials’ of change management, and others may want to focus on a particular issue.

The ‘essentials’

If you want to use the book to quickly grasp the essentials of change management, you might find it helpful to read the following chapters:

- Chapter 1: Process models of change
- Chapter 2: Leading change: a process perspective
- Chapter 5: Recognizing a need or opportunity for change

- Chapter 8: Diagnosis
- Chapter 10: Shaping implementation strategies
- Chapter 11: Developing a change plan
- Chapter 16: The role of leadership
- Chapter 17: Power, politics and stakeholder management
- Chapter 18: Responsible change management: an ethical approach
- Chapter 20: Communicating change
- Chapter 23: Implementing change
- Chapter 25: Making the change stick
- Chapter 28: Facilitating collective learning.

Recognizing the need for change

If, to start with, you just want to focus on recognizing the need for change, you might find it useful to look at:

- Chapter 1: Process models of change
- Chapter 3: Patterns of change
- Chapter 4: Sources of change
- Chapter 5: Recognizing a need or opportunity for change.

Diagnosis

Diagnosis is rarely a one-off activity. It is an ongoing endeavour that is often closely intertwined with other activities, such as recognizing a need or opportunity for change, identifying what needs to be changed, and reviewing how successfully change plans have been implemented. Sometimes, these activities can be so closely intertwined that it is difficult to distinguish one from the other. For example, when attempts to implement a change plan fail to deliver the expected outcome, the failure can provide those leading the change with new insights (implementation becomes diagnosis) that inform new plans that are then implemented, and so the sequence continues. A pathway that highlights diagnosis might include:

- Chapter 3: Patterns of change
- Chapter 4: Sources of change
- Chapter 5: Recognizing a need or opportunity for change
- Chapter 8: Diagnosis
- Chapter 9: Gathering and interpreting information
- Chapter 24: Reviewing and keeping the change on track.

Implementing change

If you want to review the theory and practice that relates to implementation, you might find the following pathway helpful:

- Chapter 2: Leading change: a process perspective
- Chapter 10: Shaping implementation strategies
- Chapter 11: Developing a change plan
- Chapter 12: Types of intervention based on who does what
- Chapter 13: Types of intervention classified according to focal issues
- Chapter 16: The role of leadership
- Chapter 17: Power, politics and stakeholder management
- Chapter 18: Responsible change management: an ethical approach
- Chapter 19: Managing context to promote ethical practice
- Chapter 20: Communicating change
- Chapter 23: Implementing change
- Chapter 24: Reviewing and keeping the change on track.

Other ways to access content relevant to your needs

You might want to start by dipping into chapters that relate to an immediate concern. Use the contents section and the subject index to identify relevant chapters. For example, if you want to read about the ethics of change management, you might find it useful to dip into Chapters 18 and 19; if your concern is sustaining change, you might want to start with Chapters 25 and 26; if you want to learn more about mergers or acquisitions, you might want to begin by looking at Chapter 23; and if you want some ideas about who should lead the change process, you might find it helpful to look at Chapters 7, 11 and 16.

ACKNOWLEDGMENTS

I am grateful for the considered and constructive feedback provided by the review panel at various stages in the publishing process. I would like to thank:

Marcia Beck, University of Miami, US
Clare Bennett, Cardiff University, UK
Roland Berberich, Xi'an Jiaotong-Liverpool University, China
Jane Boeske, University of Southern Queensland, Australia
Lynne Booth, Sheffield Business School, UK
Krister Bredmar, Linnaeus University, Sweden
Sam Burvill, Swansea University, UK
Nasir Butrous, Australian Catholic University, Australia
Florian Dieterle, AFUM Germany
Sue Gledhill, Australian Catholic University, Australia
Arno Haslberger, Lauder Business School, Austria
Michael Jones, University of Wollongong, Australia
Arjan Kozica, ESB Business School, Germany
Petya Koleva, Coventry University, UK
Anja Maier, Technical University of Denmark
Adrian Myers, Oxford Brookes University, UK

TOUR OF THE BOOK

LEARNING OBJECTIVES

Learning objectives are provided at the beginning of each chapter and present an expectation of what you will be able to achieve by the time you have read the chapter.

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Recognize patterns of change and identify their implications for change management practice.
2. Explain the importance of internal and external alignment.
3. Summarize the main features of the gradualist paradigm.
4. Assess the validity of the punctuated equilibrium paradigm.
5. Describe the nature of deep structures and explain how they contribute to organizational inertia.
6. Provide examples of Nadler and Tushman's four types of change.
7. Discuss the implications of these types of change for change management practice.

EXAMPLE 5.1 Horizontal misalignments identified in a manufacturing company

The indicators used to assess the performance of different departments such as production and marketing and sales, in a large US snack confectionery manufacturing company were not aligned with each other. One consequence was that managers working in different parts of the company often lost sight of the overall goal of the organization and focused their attention on the achievement of more immediate goals related to functional performance.

For example, in the face of strong price competition, marketing departments sought to secure increased sales (related to their goal of maximizing revenue from sales) by offering customers fast delivery and customer

EXAMPLES

These illustrate key points and describe an instance or refer to a pattern of behaviour that demonstrates the relevance and aids the understanding of a concept or theory.

MANAGING CHANGE IN PRACTICE 7.1 Colin Ions: The role of HR in mergers and acquisitions

Colin Ions set up the consulting arm of DLA Piper, one of the world's largest law firms.

In his video on the role of HR in mergers and acquisitions, Colin argues that HR managers should change so long as they are on the right agenda and 'get into the mind of the CEO'. He has the confidence that the HR function understands what the CEO and the top team are trying to achieve and that they have a strong business focus. He goes on to discuss four factors that can affect the success of a merger or acquisition.

Before watching his video on the book's companion website at bloomsbury.pub/hay answer the following question: What do you think are the main factors that can affect the management of change in organizations?

MANAGING CHANGE IN PRACTICE

These interactive features invite you to watch specially recorded videos in which change practitioners with an impressive range of experience across various organizations discuss their view of key topics in change management. The videos are available on the book's website and link back to questions and exercises in the textbook.

CHANGE TOOLS

Change management is most effective when the use of tools and techniques is guided by theory. Throughout the book, a number of carefully selected change tools are presented alongside theory to provide change managers with some ideas about what might be useful in specific circumstances.

CHANGE TOOL 11.2 Critical path analysis

Critical path analysis is a useful tool for scheduling and identifying resource requirements. It focuses attention on:

- ☛ the tasks that need to be completed
- ☛ the order in which they have to be undertaken
- ☛ dependencies between activities. It may not be possible to start some activities until others have been completed whereas others might not be dependent on the completion of other tasks and can be started at almost any time – so long as they are completed when required by later stages in the change process (see task 8 in table below)
- ☛ the resources needed to complete the project and when they will be required
- ☛ milestones to monitor progress
- ☛ the shortest time to complete the project to specification and within budget

CASE STUDY 3.1 Leicester Royal Infirmary

Leicester Royal Infirmary is one of the largest teaching hospitals with a reputation for being well run. However, although the hospital is at the forefront of change, there were growing pressures for further change.

The new pressures for change

The city of Leicester had three acute hospitals located close to each other.

CASE STUDIES

A multitude of international case studies invite you to apply theory to a variety of real-life organizational situations. They are situated across a wide range of industries and countries and are all based on actual events, although in some instances the name and location of the organization have been changed. Each case study includes questions to answer or tasks to complete.

RESEARCH REPORTS

Much of the knowledge about the management of change that is available to managers is practice based. There is, however, a growing body of research evidence that can complement and, in some cases, challenge this craft-based expertise. Throughout the book there are frequent references to research studies, but occasionally selected studies are presented in research reports. These give the flavour of some of this research-based knowledge, how research is contributing to our knowledge about change management, and different research methods that can be used.

RESEARCH REPORT 17.1 Perceptions of fair treatment

Sahdev, K. (2004) *Revisiting the survivor syndrome: The role of leadership in organizational change*, *European Journal of Work and Organizational Psychology*, 13(2): 165–96.

Sahdev's qualitative study compared the effects of two different approaches to managing organizational change: Barclaycard and SKF UK (a leading provider of bearings, seals and lubrication systems). Over a half-year period, collecting data from company documents, one-to-one interviews and focus groups, downsizing was accompanied by a transformation change.

Barclaycard, anticipating greater competition, had proactively embarked on a three-year program designed to reduce costs and deliver better service to customers. It involved a big investment in the redesign of roles and responsibilities, and the introduction of a matrix structure. As a result, employees were made redundant. Guided by state-of-the-art knowledge (including research on organizational change), the company focused strongly on accommodating leavers by pursuing a transparent redundancy process, providing substantial support for leavers in terms of outplacement and retraining.

While the majority of those who were made redundant felt they had been fairly treated, some retained felt let down by the company. The new technology did not deliver the promised benefits.

EXERCISES

These invite you to articulate and critically examine your own implicit theories of change, drawing on your personal experience, whether that is in a company you have worked for, a club or society you have attended, or in your everyday life. They often ask you to apply concepts and theories studied in the chapter to this experience.

✓ EXERCISE 3.1 How did your organization, or another organization you know, respond to the COVID-19 pandemic?

- Did the organization's response involve incremental or transformational change?
- Was the response proactive or reactive?
- Was the way the organization responded to the pandemic different to the way it typically responds to other crises in the past?

✓ EXERCISE 9.2 Reflect on what you have learned from working on the two chapters in Part III

Based on what you have read and learned from the various exercises in Part III, identify a short list of questions that could help you and others to assess how well those issues that need to be managed when 'diagnosing what needs to be changed' are being addressed.

If you are working on this task alone, after you have completed your list, compare your questions with those suggested in Exercise Part III at the end of the Introduction to Part III. Consider, in the light of these suggestions, whether your list provides a useful basis for reviewing this part of the change process or whether it could benefit from some revisions.

If you are working with others, share and compare your lists and agree a composite list of the most useful questions that could help you to improve your practice of change management.

REVIEW QUESTIONS

A distinctive feature is that, rather than asking readers to answer questions to assess their understanding, they are invited, at the end of each part, to develop a list of their own questions that might help them assess how well a change agent is managing the issues that have been discussed.

ONLINE TEACHING AND LEARNING RESOURCES

The Theory and Practice of Change Management 6th edition By John Hayes

Home

Teaching resources

Bonus cases

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Multiple choice questions

Online learning

Powerpoint presentations

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Tutorial scripts

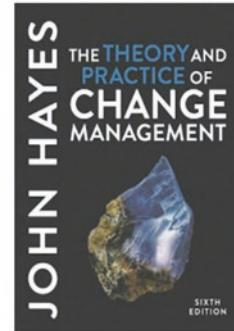
Learning resources

Cases

Change Management

Indicator

Now in its 6th edition, John Hayes' bestselling textbook combines a scholarly discussion of change management with a host of practical tools and techniques. Offering unrivalled breadth, *The Theory and Practice of Change Management* utilises an underpinning framework based on a process model of change. New benefits of this updated edition include increased coverage of a variety of organisations and territories to highlight change in diverse sectors, updated research reports to present the latest theory in the field and new experiential exercises to consolidate and apply learning.



FOR STUDENTS AND PROFESSIONALS

bloomsbury.pub/hayes-change-management-6e is a freely accessible website containing an array of resources.

- *The Change Management Indicator*: a diagnostic tool designed to provide managers with feedback on the success of an ongoing change within their organization.
- *Managing Change in Practice videos*: a specially recorded collection of interviews with change practitioners to accompany the in-text feature.
- *Multiple choice questions*: interactive quizzes accompanying every chapter to test comprehension.
- *Web chapters*: seven chapters that explore some of the interventions discussed in Chapter 13.
- *Additional exercises and change tools*.

FOR LECTURERS

Lecturers who adopt the book gain access to a password-protected selection of resources to help plan and deliver their courses:

- *Audiovisual tutorials*: illustrated PowerPoint presentations, featuring voiceover narration by the author, bring the subject to life and are a useful resource for course preparation.
- *Case materials*: detailed briefings unpack the key issues of all the case studies found in the book, as well as bonus case studies to use in teaching.
- *Lecture slides*: PowerPoint presentations to accompany every chapter, fully illustrated with photographs and diagrams, which you can adapt to suit your course.
- *Online learning resources*: resources for an online learning module that can be delivered via a blend of asynchronous and synchronous learning.

MANAGING CHANGE IN PRACTICE: VIDEO AND TEXT FEATURE

A collection of specially recorded video interviews with experienced change practitioners are available on the companion website at bloomsbury.pub/hayes-change-management-6e. The practitioners give their views of the importance of key topics in change management, such as motivational coaching to help people navigate transitions, the implications of big data, and founding and growing a new business venture. They discuss how these topics work in practice, drawing on their experience of working in organizations such as Norwich Union (now Aviva), Procter & Gamble, The Big Bang Partnership and Oakland Consulting.

The Managing Change in Practice feature appears in selected chapters of the textbook and raises some questions you might want to consider before watching the video. This is followed by a link to the companion website where you can watch the practitioners discussing key topics in change management. The videos are between 2 and 10 minutes long and are often split into sections so you can navigate to the section that interests you most. Some, like John Oakland's video in Chapter 11, are slightly longer and include extra figures and diagrams to help you get to grips with the ideas being considered. You can then refer back to the textbook in order to answer the questions or complete the exercises based on what you have seen. These allow you to think critically about key topics and relate the video content back to your own experience and to the chapter content.

THE PRACTITIONERS

There are 12 Managing Change in Practice features in the book, which link to 12 videos on the companion website. Here is a list of the practitioners and the chapters you can find them in:

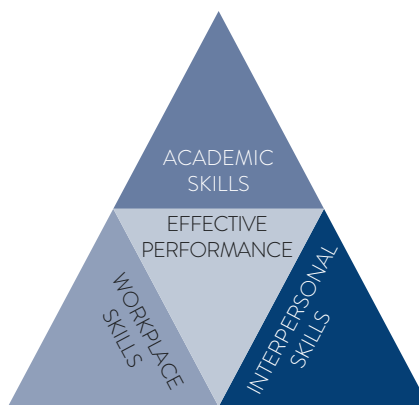
- **Chapter 4: Mick Yates** from Dunnhumby discusses the impact of big data and how it can change the way the enterprise makes decisions, how departments within an organization talk to each other and how the business interacts with its customers.
- **Chapter 4: Hugh Thomas**, co-founder of Ugly Drinks, describes how starting a business is different from working in an established large or medium-sized organization and talks about some of the challenges that entrepreneurs have to manage in order to secure the future of their new venture.
- **Chapter 7: Colin Ions** from DLA Piper argues that HR managers can make a strong contribution to change so long as they are on the right agenda and 'get into the mind of the CEO'.
- **Chapter 10: Steve Gorton**, owner/director of Enabling Development, argues that those managers who are too focused on a top-down approach will be less successful than those who do everything they can to win the hearts and minds of all those involved in or affected by the change.
- **Chapter 10: Rene Bomholt** from Netcompany, Denmark's fastest growing IT consulting house, talks about the importance of anchoring ownership of the change with those who need to change.
- **Chapter 11: John Oakland**, chairman of the Oakland Group, talks about how he has used his 'figure of eight' framework in his consulting work with a wide range of organizations.
- **Chapter 12: Paul Simpson**, a freelance HR and OD practitioner, talks about how he used training and one-to-one coaching to help change the culture of a special metals business. He also considers some of the limitations of using training to deliver this kind of systemic change.
- **Chapter 13: John Hayes** (author) provides an overview of appreciative inquiry, expanding on key points in the chapter.

- **Chapter 16: Jo North**, managing director of The Big Bang Partnership Ltd, highlights what she sees as four key leadership tasks.
- **Chapter 21: Johnny Schmidt**, formally head of global customer service with Maersk Line, talks about the most important lesson he has learned from managing change in complex organizations.
- **Chapter 22: Debbie Middleton**, founder/director of Middleton Green Executive Resourcing, talks about what happens when people are forced to let go of their current job and move to a different role within the same organization, or when they are released from their job and made redundant.
- **Chapter 24: Barrie Hopson**, a serial entrepreneur, talks about the importance of recognizing when it is time to let go of managing the day-to-day detail, and confronting the need to let go of the original business concept, which he refers to as being like ‘killing a favourite child’.

EMPLOYABILITY SKILLS

The CBI (*Confederation of British Industry*, the UK's premier business organization) defines employability skills as the attributes, skills and knowledge that all participants in the labour market should possess to ensure that they have the capability of being effective in the workplace. Some employability skills are job specific, such as the technical skills required to perform a particular role, whereas others are generic and support effective performance in a wide range of work roles. These generic skills include academic, interpersonal and workplace skills.

The Theory and Practice of Change Management provides a rich source of opportunities to develop employability skills. You are invited to draw on the theories presented in this book to: reflect on your own experience of change; interrogate the accounts of change practice presented throughout the text; and complete the cases and exercises in order to help improve your awareness of important skills, assess your level of competence and identify opportunities to practise some of the skills identified below.



ACADEMIC SKILLS

There are several academic skills that can affect performance in the workplace.

The ability to apply theory to practice

A key academic skill is the ability to apply theory to practice in order to secure beneficial outcomes. This requires that you:

- are familiar with and have a good understanding of relevant concepts and theories, such as those presented in this textbook
- can evaluate and debate the efficacy of theories and received opinion
- are able to draw on theories to help you:
 - » make sense of situations
 - » identify the cause-and-effect relationships that affect outcomes in those situations
 - » recognize the causal factors that you and others can influence
 - » plan, implement and review changes that will affect these factors in ways that will lead to better outcomes.

Many concepts and theories are presented throughout the book and the efficacy of competing theories is debated; for example, the gradualist and punctuated equilibrium paradigms in Chapter 3, and the merits of component versus holistic models for diagnosing the need for change in Chapter 8. The book also contains many case studies, which require you to apply theory to critique the way a change was managed or to identify critical issues and draw on theory to propose how these issues could be managed.

The ability to collect, interpret and use data

An important academic skill that can improve your effectiveness in the workplace is the ability to collect, interpret and use quantitative and qualitative data. The collection, interpretation and use of data is considered in Chapter 9 and referred to in many of the research reports presented throughout the book. You are also provided with opportunities to test and develop this skill. See, for example, Change Tool 5.1, and the alternative version presented in step 9, which invites you to interview managers to identify the criteria they use to assess the quality of the products or services they provide to others.

The ability to think critically and marshal relevant evidence and examples to support coherent arguments

Group exercises, case studies and written assignments provide many opportunities to develop this important skill.



WORKPLACE SKILLS

The US Department of Education defines workplace skills as the abilities employees need to successfully accomplish work tasks. This section will consider several generic workplace skills.

Commercial awareness

This important skill involves recognizing internal and external factors that can affect the success of a business:

- Some of the tools that can be used to identify threats and opportunities are presented in Chapters 5 (PEST), 6 (value innovation) and 9 (SWOT).
- Indicators of effectiveness, such as the balanced scorecard, are considered in Chapter 5.
- Factors that can divert attention away from the commercial realities confronting a business are considered in several chapters. See, for example, the discussion of self-reinforcing sequences in Chapters 1 and 3 and the 'trap of success' in Chapter 5.

An appreciation of the systemic nature of work organizations

This involves understanding that all units, whether they be individuals, groups, departments or organizations, are components of a wider system of interrelated parts, and that the way any one part performs can have consequences for other parts of the system. Systems work effectively when all the component parts are aligned:

- The consequences of misaligned performance measures, in terms of waste, poor performance and the quality of working relationships, are illustrated by Example 5.1.
- An effective way of diagnosing the 'health' of a system is to search for misalignments (see Chapter 8).
- Unintended consequences often arise when somebody introduces a change in one part of a system without considering how this will impact others parts of the system.

Problem solving and opportunity development

Management is often viewed as problem solving but it is more than this. A key part of the management process is the development of opportunities. Both problem management and opportunity development involve an assessment of the situation, prioritization of those problems or opportunities that are to receive attention, the identification of a desirable end state, and the development and implementation of plans to achieve this state.

This process receives attention throughout the text, but two approaches receive special attention:

- Lewin's force-field approach (see the first section in Chapter 2 and Change Tool 9.2)
- Oettingen's WOOP methodology (see Change Tool 12.1).

Planning

Developing a plan requires the ability to think through what needs to happen to achieve a goal. When the desired end state (goal) is known in advance, it may be possible to develop a 'blueprint' plan, which specifies in some detail what needs to be done, the timeline for implementation, and the resources required at each step on the way. However, where it is not possible to specify the desired end state in advance, a more evolving and incremental approach to planning might be required. This is discussed in Chapter 11:

- The Awakishi diagram (Change Tool 11.1) is a useful tool for stimulating thinking about what needs to be done.
- Critical path analysis (Change Tool 11.2) is a useful tool for identifying the resources required, scheduling activities and specifying milestones for monitoring progress. An important feature of critical path analysis is that it highlights dependencies between activities and identifies the shortest time required to complete a project.
- Exercise 11.1 invites you to reflect on and critique plans you have made to secure a change.



INTERPERSONAL SKILLS

Interpersonal skills are goal-directed behaviours that we use in face-to-face interactions to achieve desired outcomes. This book highlights several important interpersonal skills.

Communicating

Communicating is a core competence that underpins all other interpersonal skills such as helping, influencing and leading. Leaders, for example, need to convey a compelling vision of a better future, inspire and motivate others to implement changes, align their efforts by communicating a shared understanding of what needs to be done, and provide the feedback required to sustain the change:

- Many of the factors that can affect our ability to communicate effectively are considered in Chapter 20.
- The importance of listening to others is a theme that is addressed in several chapters.
- Writing assignments provides a good opportunity for you to practise and receive feedback on your written communication skills, and making presentations to others provides similar opportunities to practise and receive feedback on your ability to communicate verbally.

Helping and facilitating

Helping others to manage their problems or exploit opportunities is a key skill that can have a positive impact on individual, group and organizational performance:

- Chapter 15 reviews five different ways of helping others, examines the relative merits of prescriptive and collaborative modes of helping, and points to the importance of suspending judgement and signalling to others that their viewpoint is worth listening to.
- Exercise 15.1 can be used to identify your preferred way of helping others.
- Part of Chapter 12 considers how coaching, mentoring and counselling can help others improve their capability to manage problems.
- Chapter 22 presents a model of the stages of psychological reaction to change and explores ways in which people can be helped to navigate disruptive personal transitions.

Influencing, persuading and negotiating

In order to get things done, it may be necessary to enlist the support of others, but sometimes this can be difficult because individuals and groups have conflicting interests:

- Chapter 17 explores the political dynamics within organizations and how they can affect people's willingness to support or resist change.

- Exercise 17.1 alerts you to sources of power and influence.
- Exercise 17.2 presents a checklist you can use to improve your ability to influence others.
- The stakeholder grid (Change Tool 17.1) can be used to help you identify the stakeholders who can affect your ability to achieve a desired outcome.

Leading

Leadership is about revitalizing and renewing a work group, department or organization to ensure that it will be effective over the long term. It is about change. There are various strategies that leaders can adopt to secure change:

- Push and pull strategies are discussed in Chapter 2.
- The relative merits of autocratic top-down and more democratic bottom-up strategies are considered in Chapter 10.

Understanding what it is that leaders need to do can help you improve your ability to lead:

- Chapter 16 examines leadership from a task perspective and focuses attention on seven key tasks: sense making, visioning, sense giving, aligning, enabling, supporting and maintaining momentum.
- Exercise 16.1 is designed to help you improve your ability to lead.

Motivating others

The ability to motivate others is a key skill. Expectancy and equity theories, presented in Chapter 21, provide a useful conceptual framework for diagnosing motivational problems and identifying actions you can take to motivate others.

Working with groups and teams

Managers spend a large part of their time leading teams or working as members of teams:

- Eight principles that affect how teams work are discussed in Chapter 12, along with some interventions to improve team performance, such as action research.
- Other interventions, such as after action reviews, are discussed in Chapter 28.
- The Axelrod canoe (Change Tool 12.2) provides a blueprint for getting people involved in meetings.

Behaving responsibly

Trust, integrity and ethical behaviour can have a powerful long-term impact on individual and organizational performance. Chapter 18 examines responsible behaviour from the perspective of 'doing the right thing towards others', and presents cases and arguments that will help you:

- identify which 'others' you should consider
- determine what doing the right thing involves
- recognize factors that could affect whether you and others will behave in a responsible way
- identify steps you could take that will promote ethical behaviour.

Learning

The ability to reflect on your own and others' behaviour and learn from this experience is a key skill that can help to ensure that you will continue to make an effective contribution, wherever you are employed:

- The benefits of reflection-in-action and reflection-on-action are considered in Chapter 27.

- Change Tool 27.1 offers two ways of observing yourself in ‘the here and now’.
- Example 27.1 illustrates how learning logs can be used to aid reflection-on-action.
- Ways of helping others learn from their experience are considered in Chapter 28.
- Barriers to organizational learning are considered in Chapter 28, together with what you can do to help members of your work group, department or organization learn from their collective experience.

CASE STUDIES AND EXAMPLES GRID

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1, p. 9	Example 1.3 Increasing returns contributed to the demise of Nokia	Telecommunications	Finland/worldwide
1, p. 10	Example 1.4 Flyclinic: a failed attempt to create an online medical tourism platform	Healthcare	Colombia/USA
1, p. 12	Example 1.5 Unrealistic goals for change at Direct Banking	Banking	Netherlands
1, p. 14	Example 1.6 Foxconn: how organizational path dependence is hindering attempts to diversify into the design and manufacture of low-volume, high-margin, high-tech products	Electronics	China
2, p. 27	Example 2.1 A failure to recognize unintended consequences at Concrete Flags Ltd	Paving manufacturing	UK
3, p. 35	Example 3.1 Haier: the gradual transformation of a traditional manufacturing firm into a highly responsive, online-based entrepreneurial company	Household appliances	China
3, p. 38	Example 3.2 The impact of Foxconn's tightly coupled ecosystem in China on the relocation of operations to other countries	Electronics	Taiwan/China
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4, p. 55	Case Study 4.1 Was Uber a disrupter?	Transportation	USA/worldwide
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10, p. 135	Case Study 10.1 Improving the performance of a new business school in a Dutch university	Education	Netherlands
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12, p. 176	Example 12.1 Action research at Freedman House	Ex-offenders hostel	UK
13, p. 188	Example 13.1 Using appreciative inquiry for organization development at Médecins Sans Frontières	Charity/healthcare	Worldwide
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MANAGING CHANGE: A PROCESS PERSPECTIVE



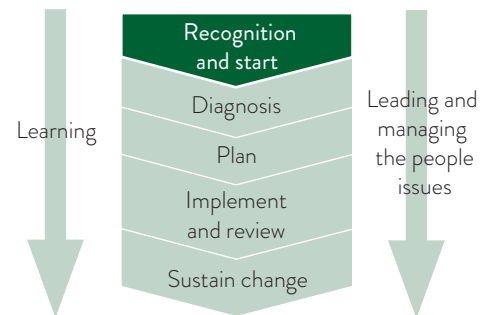
INTRODUCTION TO PART I

Part I introduces the process theories of change that provide the conceptual framework for the discussion of the theory and practice of change management presented in Parts II–VIII.

Chapter 1 Process models of change

Chapter 1 introduces four process theories: teleological, dialectical, life cycle and evolutionary. All four view change as a series of interconnected events, decisions and actions, but they differ in terms of the degree to which they present change as a necessary sequence of stages and the extent to which the direction of change is constructed or predetermined.

Life cycle and evolutionary theories present change as a predetermined process that unfolds over time in a prespecified direction. Teleological and dialectical theories, on the other hand, view change trajectories as constructed, in the sense that goals, and the steps taken to achieve goals, can be changed at the will of (at least some of) those involved in the process. However, this may not always be easy to achieve in practice because those involved, especially those leading the change, may fail to recognize some of the dynamics that affect outcomes.



Attention is given to the impact of reactive and self-reinforcing sequences:

- *Reactive sequences:* When change involves different individuals and groups each seeking to pursue their own interests, then, depending on the balance of power, reactive sequences are likely to emerge and one party may challenge another party's attempt to secure a particular outcome.
- *Self-reinforcing sequences:* When a decision or action produces positive feedback, it reinforces earlier events and this reinforcement induces further movement in the same direction. While self-reinforcing sequences can deliver benefits over the short term, change managers need to be alert to the possibility that they may divert their attention away from alternative ways of responding to situations, narrow their options, and lock them into a path that may deliver suboptimal outcomes over the longer term.

Chapter 2 Leading change: a process perspective

Chapter 2 builds on the ideas discussed in Chapter 1 and offers a process model of change based on teleological and dialectical theories. It provides a conceptual framework that those leading change can use to identify the issues they need to address if they are to secure desired outcomes. It can also be used to identify the kinds of questions that will

help them reflect on how well they are doing and what else they could do to improve performance.

The model conceptualizes the management of change as a purposeful, constructed but often contested process that involves attending to seven core activities:

1. recognizing the need for change and starting the change process
2. diagnosing what needs to be changed and formulating a vision of a preferred future state
3. planning how to intervene in order to achieve the desired change
4. leading and managing the people issues
5. implementing plans and reviewing progress
6. sustaining the change
7. learning.

When managing change is viewed as a process, and events, decisions, actions and reactions are seen to be connected, those leading the change are more likely to be able to take action and intervene in ways that can break inefficient patterns and move the change process in a direction that is more likely to deliver superior outcomes.

The way in which Chapters 1–28 relate to the generic model is illustrated in [Figure I.1](#).

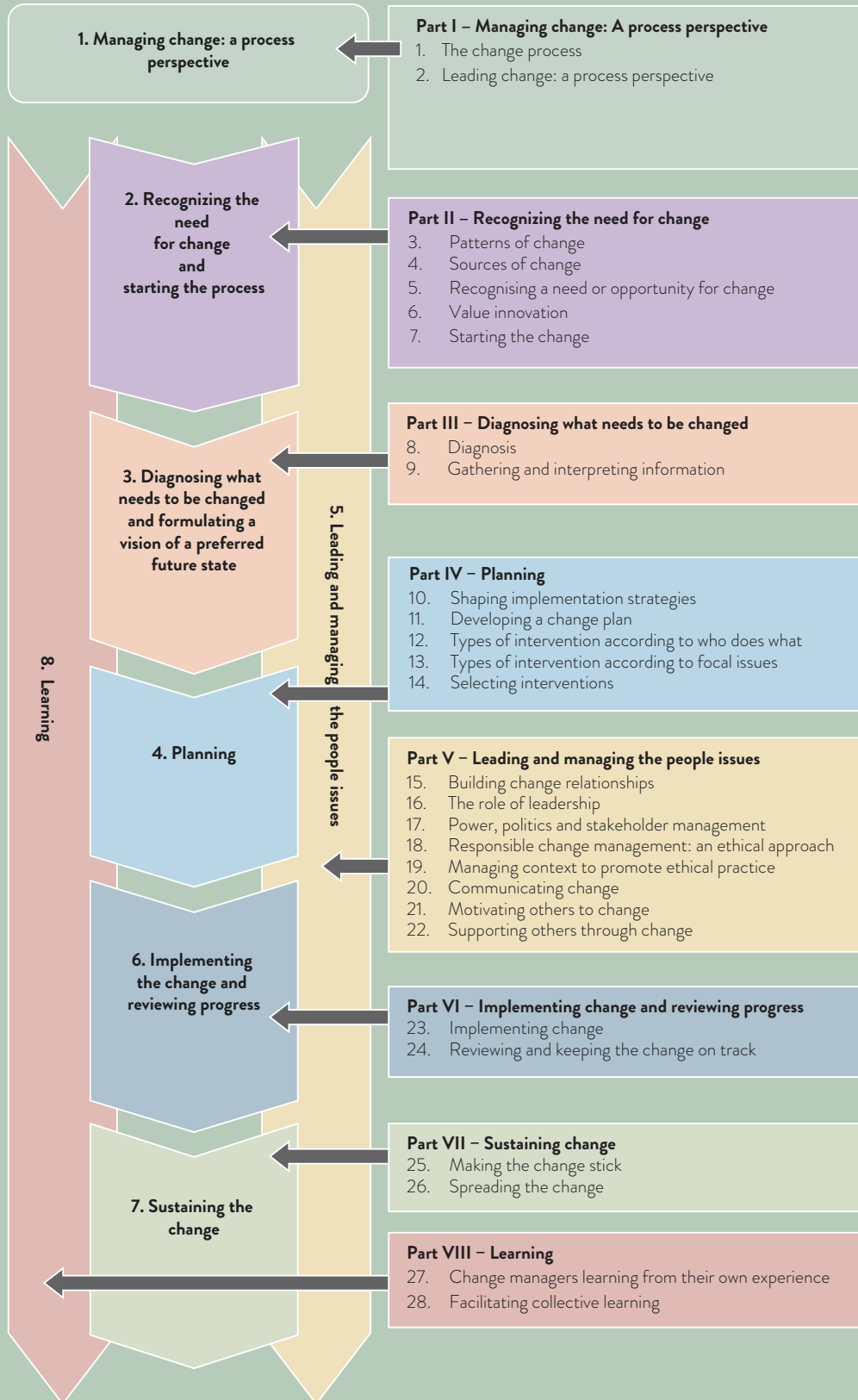


Figure I.1 How Chapters 1–28 relate to the process model presented in Chapter 2

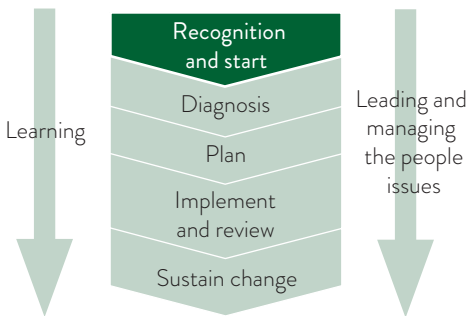


PROCESS MODELS OF CHANGE

LEARNING OBJECTIVES

After reading this chapter you will be able to:

1. Understand the nature of change from a process perspective.
2. Describe the similarities and differences between teleological, dialectical, life cycle and evolutionary process theories of change.
3. With reference to these theories, critically assess the proposition that change trajectories can be managed.
4. Provide an example of how a reactive sequence of events, decisions and actions can affect the change agent's ability to achieve intended goals.
5. Define and summarize the main drivers of self-reinforcing sequences.
6. Explain how self-reinforcing sequences can lead to path dependence and demonstrate how this can affect change outcomes.
7. Summarize some of the steps that change agents can take to minimize the negative effects of reactive and self-reinforcing sequences.



Change managers, at all levels, have to be competent at identifying the need for change. They also have to be able to act in ways that will secure change. While those leading change may work hard to deliver improvements, there is a widely accepted view that many change projects fail to deliver the intended outcomes. Getting it 'wrong' can be costly. It is imperative, therefore, that those responsible for change get it 'right', but getting it 'right' is not easy. Change agents, be they managers or consultants, are often less effective than they might be because they fail to recognize some of the key dynamics that affect outcomes and therefore do not always act in ways that enable them to

exercise sufficient control over what happens.

This chapter examines change from a process perspective, that is, the 'how' of change and the way a transformation occurs. After reviewing the similarities and differences between various process theories, attention is focused on reactive and self-reinforcing sequences of events, decisions and actions and how they affect change agents' ability to achieve intended goals. It is argued that in order to minimize any negative impact from these sequences, those leading change need to be able to step back and observe what is going on, including their own and others' behaviour, identify critical junctures and subsequent patterns – some of which may be difficult to discern – and explore alternative ways of acting that might deliver superior outcomes.

STATES AND PROCESSES

Open systems theory provides a framework for thinking about organizations (and parts of organizations) as a system of interrelated components that are embedded in, and strongly influenced by, a larger system. The key to any system's prosperity and long-term survival is the quality of the fit (state of alignment) between the internal components of that system, for example the alignment between an organization's manufacturing technology and the skill set of the workforce, and between this system and the wider system of which it is a part, for example the alignment between the organization's strategy and the opportunities and threats presented by the external environment. Schneider et al. (2003) assert that internal and external alignment promote organizational effectiveness because, when aligned, the various components of a system reinforce rather than disrupt each other, thereby minimizing the loss of system energy (the 'get-up-and-go' of an organization) and resources. Effective leaders are those who set a direction for change and influence others to achieve goals that improve internal and external alignment.

Miles and Snow (1984) argue that instead of thinking about alignment as a state (because perfect alignment is rarely achieved), it is more productive to think of it as a process that involves a quest for the best possible fit between the organization and its environment and between the various internal components of the organization. Barnett and Carroll (1995) elaborate on the distinction between states and processes. The state (or content) perspective focuses attention on 'what' it is that needs to be, is being or has been changed. The process perspective, on the other hand, attends to the 'how' of change and focuses on the way a transformation occurs. It draws attention to issues such as the pace of change and the sequence of activities, the way decisions are made and communicated, and the ways in which people respond to the actions of others. Change managers play a key role in this transformation process.

THE CHANGE PROCESS

On the basis of an extensive interdisciplinary review of the literature, van de Ven and Poole (1995) found over 20 different process theories. Further analysis led them to identify four ideal types – teleological, dialectical, life cycle and evolutionary theories – that provide alternative views of the change process:

1. *Teleological theories*: assume that organizations are purposeful and adaptive, and present change as an unfolding cycle of goal formulation, implementation, evaluation and learning. Learning is important because it can lead to the modification of goals or the actions taken to achieve them.
2. *Dialectical theories*: focus on conflicting goals between different interest groups and explain stability and change in terms of confrontation and the balance of power between the opposing entities.
3. *Life cycle theories*: assume that change is a process that progresses through a necessary sequence of stages that are cumulative, in the sense that each stage contributes a piece to the final outcome, and related – each stage is a necessary precursor for the next.
4. *Evolutionary theories*: posit that change proceeds through a continuous cycle of variation, selection and retention. Variations just happen and are not therefore purposeful, but are then selected on the basis of best fit with available resources and environmental demands. Retention is the perpetuation and maintenance of the organizational forms that arise from these variations via forces of inertia and persistence.

A common feature of all four theories is that they view change as involving a number of events, decisions and actions that are connected in some sort of sequence, but they differ in terms of the degree to which they present change as following certain essential stages and the extent to which the direction of change is constructed or predetermined.

The ordering of stages

Some theories place more emphasis on the order of the stages in the change process than others. For example, life cycle theories are more prescriptive about this than teleological theories. Flamholtz (1995) asserts that organizations progress through seven stages of development from new venture to decline and possible revitalization. He argues that at each stage of development, the criteria of organizational effectiveness change. The major concern during the first stage of the organization's life cycle is survival and critical areas for development are markets and products. In the second stage, resources are often stretched and operating systems become overwhelmed, so resource management and the development of operating systems emerge as key tasks. The third stage of the life cycle is the point where more formal management systems, such as planning and management development, are required to ensure the long-term functioning of the business, and so on through the seven stages of the life cycle.

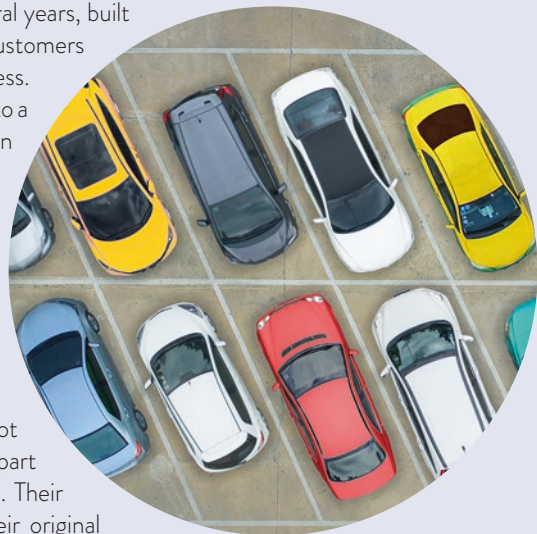
Teleological theories are less prescriptive about the ordering of stages. They present development and change as a repetitive sequence of goal formulation, implementation and evaluation, leading to the modification of an envisioned end state based on what was learned or intended by the people involved (van de Ven and Sun, 2011). While each of these stages is important and there is a logical sequence connecting them, the sequence does not have to, and often does not, unfold in a way that follows the ordered linear sequence presented above. For example, while an initial diagnosis may clarify a problem, it may fail to identify a desired end state, so the process may have to unfold in a tentative way that involves constant testing or some backtracking to earlier stages in order to achieve a valued outcome. Even when a goal can be specified at an early point in the process, it is not uncommon for unanticipated problems or new pressures for change to emerge and require attention even though the current change sequence has not been completed. Example 1.1 illustrates this point.

EXAMPLE 1.1 A car importer responds to imposed change

An importer of value-for-money, low-cost cars had, over several years, built up a network of independent dealers to retail the vehicles to customers with relatively low disposable incomes. It was a successful business.

The manufacturer of the low-cost cars alerted the importer to a forthcoming change. In order to counter anticipated competition from even cheaper imported cars from India and China, it had decided to reposition its brand. It wanted to widen its market to include customers who normally bought more expensive vehicles, such as Ford or Opel. The manufacturer had already announced the launch of a new model that was technically superior to other cars in its range, but the new announcement made it clear that it intended to follow this up by rebranding and repositioning the entire range.

The importer quickly recognized that this would require a lot of changes to its own business. Many of the retailers who were part of its dealer network had started out selling second-hand cars. Their showrooms tended to be located in premises adjacent to their original petrol retailing or repair shop businesses. They had long-standing relationships with many of their customers who had first come to them to buy second-hand cars and then moved on to purchase models from their range of inexpensive imported cars. An initial diagnosis indicated that the importer would have to encourage many of these dealers to refurbish and modernize their premises and, in some cases, relocate in order to attract the type of customer who would be interested in better quality, more expensive cars. Some dealers also had a relatively unsophisticated approach to selling, indicating a need for training and staff development. The importer quickly began to formulate a change strategy, but initial approaches to a sample of dealers to test out plans for change met with strong resistance.



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This triggered a rethink. The problem was reframed and another diagnostic exercise was undertaken to explore the possibility of replacing some of the existing dealers with dealers who were already selling more upmarket vehicles and who might be interested in either transferring their allegiance or taking on an additional brand and selling the imported cars alongside their existing range. When this strategy was tested, not many distributors of other brands showed much interest in transferring or diluting their allegiance, so this prompted yet a further rethink.

This third way forward involved working with some (maybe a majority) of the existing dealers to help them make the changes required to sell the rebranded cars and, alongside this approach, exploring the possibility of developing a new relationship with an Indian manufacturer of cheap cars. The plan was to establish a related business to import and distribute its vehicles using those dealers who were not prepared to move upmarket. Before plans to pursue this strategy were well advanced, a recession hit car sales, slowing plans to move the majority of dealers upmarket, and the Indian manufacturer announced a delay in its plans to launch its low-cost vehicles in European markets. These changes called for yet another rethink of the situation.

Predetermined versus constructed trajectories

Van de Ven and Poole (1995) argue that life cycle and evolutionary theories present change as a predetermined process that unfolds over time in a prespecified direction. This kind of change involves incrementally adapting organizational forms in predictable ways. The process may be prescribed by some inherent code (as in biological evolution) or by the limits imposed by a wider system. Greenwood and Hinings (1996), for example, argue that an organization's institutional context can limit the possibilities for change, especially when the organization is embedded in a wider system that has tightly coupled relationships (see Chapter 3).

Teleological and dialectical theories, on the other hand, view change trajectories as constructed, in the sense that goals, and the steps taken to achieve goals, can be changed at the will of (at least some of) those involved in the process. According to this perspective, the process is not unduly constrained by an inherent code or factors external to the immediate system. Those leading the change have the power to intervene and act in ways that can make a real difference. The strategic choice framework, for example, asserts that one of the key factors determining the effectiveness of an organization is the quality of the strategic choices made by members of the dominant coalition who lead the organization. Teleological and dialectical theories highlight the role of human agency and assert that change agents can act to affect change in ways that will either promote or undermine organizational effectiveness.

THE IMPACT OF SEQUENCE ON OUTCOME

Although teleological and dialectical theories suggest that members of a system have considerable freedom to construct change trajectories, and assert that it is possible for them to break away from established routines and intentionally move the system towards redefined goals, this may not always be easy to achieve in practice. The nature of the change sequence, whether reactive or self-reinforcing (see Mahoney, 2000), will affect the extent to which those leading the change will be able to realize this possibility.

A change process involves a number of events, decisions and actions that are connected in a sequence. They are connected in the sense that each event is influenced by earlier events and also helps to shape subsequent events. In the sequence $A > B > C > D > E$, event B is both a response to event A and a factor that shapes event C, which in turn effects D and so on. The way an earlier event will impact later events depends on how others respond.

Reactive sequences

Dialectical theories focus on the conflicting goals of those involved in a situation. These conflicts give rise to reactive sequences, in which one party challenges another party's attempt to secure a particular change. In reactive sequences, subsequent events challenge rather than reinforce earlier

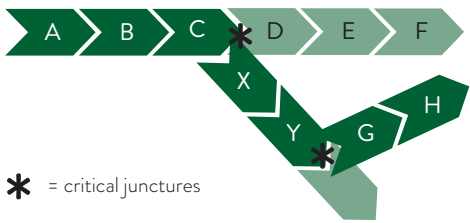


Figure 1.1 A reactive sequence

events. This is illustrated in [Figure 1.1](#). A leader implements a decision (A) as the first step along the way to achieving a particular outcome (F). This action leads to responses (events B and C) that reinforce the leader's initial intention, but (in this example) this support is short-lived. The earlier events provoke a reaction from others, maybe because they see little or no benefit in the current direction of change. The outcome of this critical juncture is that the change is pushed in a new direction. But this new direction may not be sustained for long. In this example, it is challenged following event Y.

While those leading a change may attempt to avoid conflict by formulating a vision that accommodates the interests of many constituencies – bosses, peers, subordinates, customers, suppliers, bankers – it may not always be possible to satisfy them all and some may resist the change. This highlights the importance of not only working to set a viable direction for change but also acting in ways that will align all those involved to support it.

In some cases, negative reactions may only lead to minor deviations from the leader's intended path but sometimes the reaction can block or radically transform the change. Mahoney (2000) refers to the possibility of a 'backlash', and Pierson (1998) observes that events can trigger counter-reactions that are powerful enough to move the system in a completely new direction. Example 1.1 provides a good illustration when the car dealers resisted the importer's plans for change. Example 1.2 presents another instance of this at British Airways.

EXAMPLE 1.2 BA cabin crew dispute

British Airways (BA) needed to change in order to compete against the increasing number of low-cost airlines, absorb rising fuel prices and adapt to the global recession. The company announced changes in staffing levels, pay and conditions in order to cut costs. A number of changes were implemented, including some staff switching to part-time working and others taking voluntary redundancy, but a proposal to reduce the number of cabin crew on long-haul flights from 15 to 14 was fiercely resisted.

Actions and reactions, including strikes, suspensions and dismissals, continued for 18 months. Early on in the dispute, reactions escalated to the point where cabin crew decided on a 12-day strike over the Christmas holiday period. BA responded by taking legal action that prevented the strike from taking place. After two weeks of talks between BA management and Unite (the trade union representing cabin crew), the union decided to rebalot members and the result was a vote in favour of strike action, starting with an initial 3-day strike. Following the strike, the company withdrew generous travel concessions from those workers who had participated in the industrial action.

Action and reaction continued to escalate the dispute. Three months later, after failing to reach a compromise with its staff, BA won a court injunction preventing a series of planned strikes. Talks to avert further action broke down when demonstrators stormed the building and the CEO had to be escorted away for his own protection. After more strikes and a bitter war of words, it was reported in the press that BA had suspended 80 cabin crew and sacked a further 13 because of incidents relating to the dispute, including the intimidation of cabin crew who wanted to continue working. Further votes for strike action and legal wrangling to prevent industrial action continued until, after almost 18 months, the dispute was eventually resolved (in 2011).

But this was not the end of the story. BA made some concessions to the demands of existing cabin crew in order to end the dispute but created a new category of staff, called 'mixed fleet', as part of its ongoing strategy to reduce labour costs. All new recruits at Heathrow were appointed to mixed fleet on terms and conditions that were inferior to those enjoyed by existing cabin crew. A few years on, about one-third of all cabin crew were employed by mixed fleet and assigned to different routes. Prompted by complaints, Unite surveyed mixed fleet cabin crew and found that the disparity in terms and conditions was causing considerable dissatisfaction and some distress. In 2017, six years after the resolution of the first dispute, mixed fleet cabin crew confronted BA and embarked on a new long series of strikes.

Self-reinforcing sequences

Self-reinforcing sequences occur when a decision or action produces positive feedback that reinforces earlier events and supports the direction of change. This reinforcement induces further movement in the same direction. While self-reinforcing sequences can deliver benefits over the short term, change managers need to be alert to the possibility that they may draw them into a path that will deliver suboptimal outcomes over the longer term. This will be illustrated with reference to three drivers of self-reinforcing sequences: increasing returns, psychological commitment to past decisions, and cognitive biases.

Increasing returns

An important driver of self-reinforcing sequences is ‘increasing returns’, a concept that initially received attention from economists. Pierson (2000) traces early interest to Arthur (1994) and David (1985). They argued that a particular technology that is first to market or widely adopted by early users, for example the QWERTY keyboard and VHS video format, may generate increasing returns and achieve a decisive advantage over competing technologies, such as the Dvorak keyboard and Betamax video format, even though it may not be the most efficient alternative. Arthur (1994) points to four conditions that can promote increasing returns. These conditions are not restricted to the adoption and diffusion of new technologies, but apply to almost every aspect of organizational change:

1. *Setup costs*: Where these are high, there is an incentive to stick with a chosen option so as to spread costs over a longer run of activity. For example, following the implementation of a new business process, increasing returns from the initial investment (setup costs) are likely to be achieved if the new arrangements persist over a period of time.
2. *Learning*: Knowledge gained from repetitive use can lead to increased proficiency and continuous improvement. For example, organizational members learn by doing and the more they do, the more proficient they become. This learning provides a powerful incentive to continue down the same path because doing yet more of the same leads to increasing returns from exploiting these acquired competences. Switching to new ways of working might, at least in the short term, lead to diminishing returns while new competences are developed.
3. *Coordination*: The benefits received from a particular activity increase as others adopt the same option. Arthur (1994) observed that as more people bought VHS video recorders, video stores found it advantageous to stock VHS rather than Betamax tapes, which, in turn, encouraged more people to buy VHS recorders.
4. *Betting on the right horse*: People recognize that options that fail to win broad acceptance will have drawbacks later on, therefore they are motivated to select the option they think will be adopted by most others. They anticipate that persisting with this choice will generate increasing returns in the future.

Increasing returns contributed to the demise of Nokia (Example 1.3), because they led to a situation where the company stuck with a winning formula for too long rather than responding to new opportunities and threats as they emerged.

EXAMPLE 1.3 Increasing returns contributed to the demise of Nokia

Nokia was the world’s largest producer of mobile phones. Economies of scale, competences, especially in hardware design, and widespread consumer confidence all contributed to growing profits and market domination, but the consequence of this success was that the company focused its attention on exploiting what it was already good at. This led to Nokia missing the big new smartphone-led trend and to it being squeezed out of what quickly became the most profitable segment of the market. The company