

Strategic Management of Change

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Chapter 9. Implementing strategic change

Objectives of the chapter

- Understanding the dynamics of organizational culture change;
- Comprehending the implications of policy change at the organizational level;
- Grasping the management of the change process.

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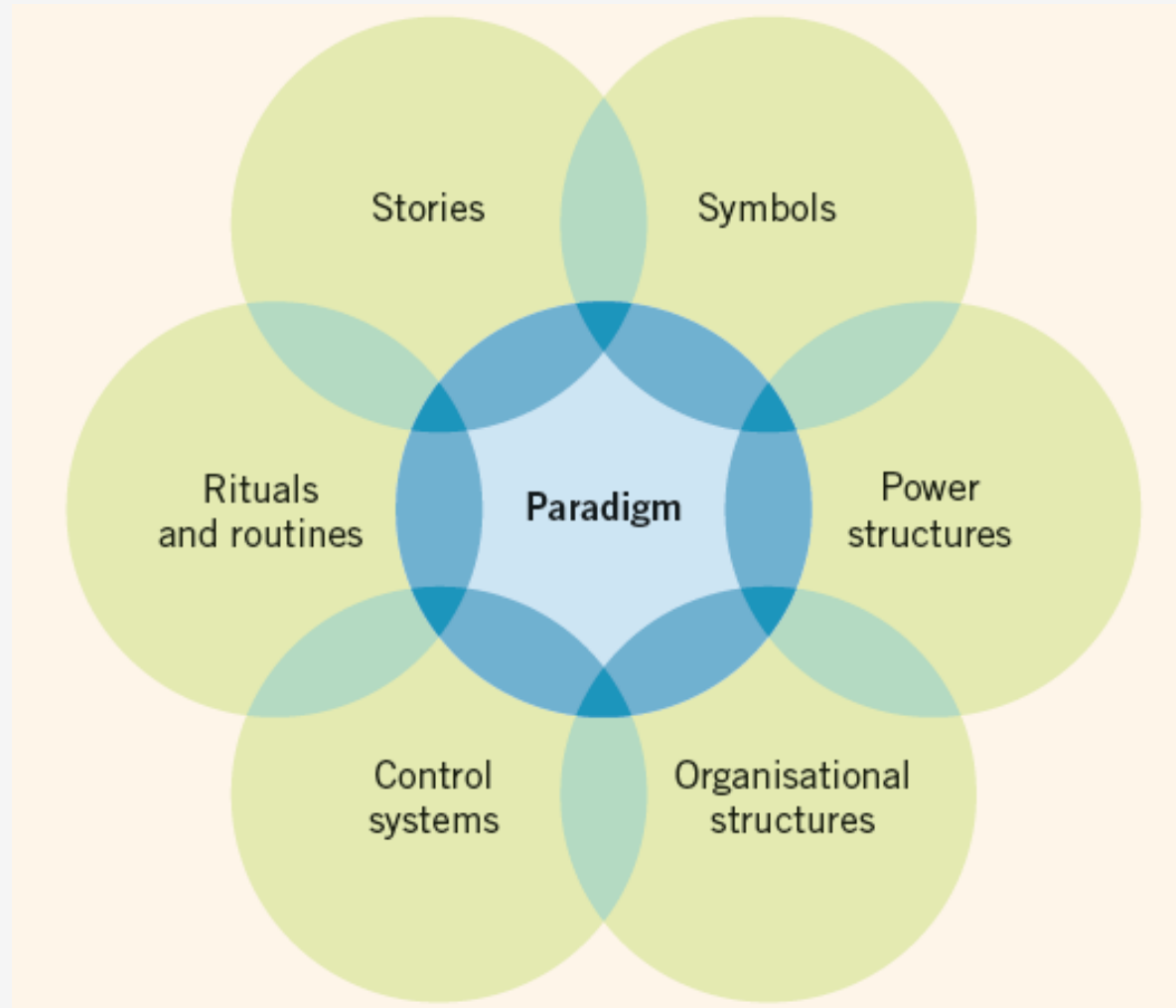
1. Reviewing Entrenched Thought Patterns

One of the most critical challenges of strategic change lies in altering deeply ingrained underlying assumptions and group representations that have often been established over an extended period. Consequently, the subject of change here involves transforming the organizational cultural model by modifying its cultural fabric (refer to the reminder).

Strategic analysis tools can be employed to effect this model change. However, the presence of entrenched representations and underlying assumptions complicates the change process, placing the leader of the change process in a situation where resistance becomes a formidable obstacle.

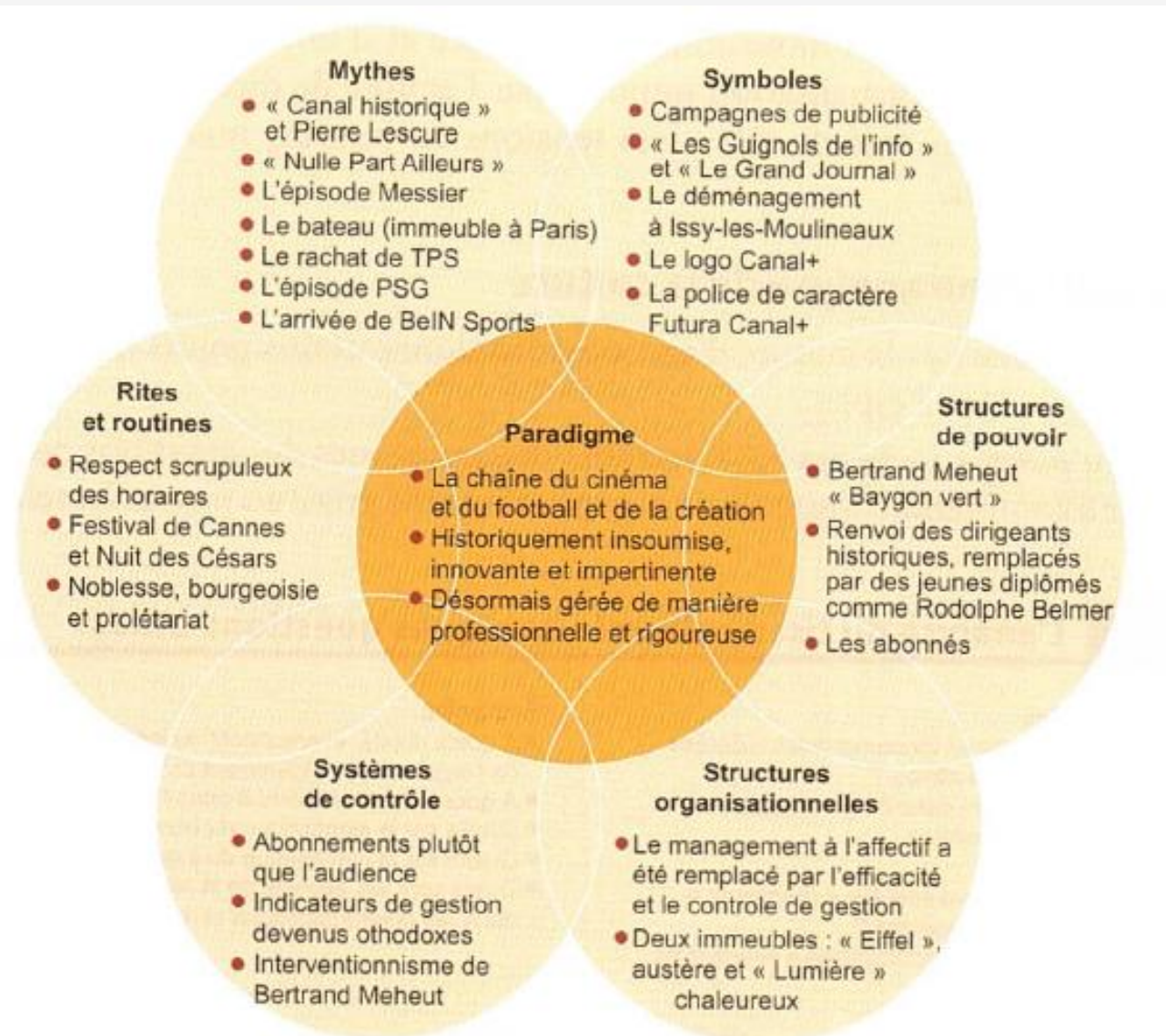
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Reminder: Cultural canvas



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Example: Cultural web



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After extensive observation of change stages in large companies, Michael Beer and Nitin Nohria identified two main approaches that they termed Theory E and Theory O.

- **Theory E:** This approach focuses on seeking profitability and is typically associated with a hierarchical and pragmatic approach to the formal drivers of change. Here, the emphasis is on reforming structures and systems, and change is translated into altering the portfolio of activities and implementing workforce reduction schemes.
- **Theory O:** This approach centers around enhancing organizational capability. It involves developing the organization's culture, learning, and engagement through experiences and informal procedures.

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Strategic change drivers

1. Providing a compelling case for change:

According to Kotter (1996), the first step in the change process involves establishing a sense of the urgent demand for change.

Note: While senior management is concerned with change incentives, such as meeting stakeholder expectations or achieving a significant market share, and workers are focused on personal well-being or influencing the work team, leaders of the change process are interested in translating the management's change demand into motivational messages at the operational level. Their aim is to engage employees in the change process rather than simply conveying the rationale for change to them.

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Strategic change drivers

2. **Challenging the taken for granted:** This is achieved, among other means, by:
 - a. Collecting objective evidence (through meticulous strategic analysis, for example) capable of challenging and subsequently altering the organizational model. However, resistance to change may arise through the use of questions, reframing, and translating strategic analyses to align with the existing model that is intended to be changed.

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Strategic change drivers

2. Challenging the taken for granted: This is achieved, among other means, by:

- b. Encouraging individuals to question and review assumptions by making them explicit and valued leads to overcoming individual biases and cultural assumptions. It allows for an exploration of others' perspectives, enabling an understanding of various possible future scenarios. This approach is integral for successful companies adopting change initiatives while maintaining high performance levels (e.g., L'Oréal, which has a dedicated space for presenting various viewpoints called the "Salle de contestation" or Dissent Room).

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Strategic change drivers

3. Changing processes and routines: This is achieved by starting from the bottom, at the level of the organization's daily operational processes. These procedures may be formal and codified or less formal in a manner that illustrates how work is conducted and actions are taken.

The relationship between strategic change and organizational routines should be considered through three fundamental considerations:

a. Operational Change Planning: The implementation planning for strategic change requires identifying key success factors at the level of routines and the skills necessary to control them. Therefore, strategic change necessitates reengineering organizational procedures and routines.

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The relationship between strategic change and organizational routines should be considered through three fundamental considerations:

- b. Challenging Operational Assumptions:** According to Richard Pascale, "It is easier to change the way people think by changing their actions, compared to changing their actions by changing their thinking." In other words, it is more effective to change behavior, and consequently the underlying assumptions, rather than attempting to change assumed beliefs as a means of altering behavior. In this case, trying to persuade individuals to change will not be as powerful as engaging them in the change process.

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The relationship between strategic change and organizational routines should be considered through three fundamental considerations:

- c. **Change in routines from the bottom:** Even when change is not planned by senior management, individuals change themselves, and this can lead to significant organizational change. This occurs as a result of individual experiences, learning from specific mistakes they or their colleagues have made during their tasks, or it can happen proactively due to intentional and continuous tweaking of the rules of the game. This deliberate and ongoing alteration can cause resistance until sufficient support is garnered from various stakeholders, allowing the new routines to accommodate strategic change.

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4. Symbolic Management:

Strategic change is not always overt and formal; it can also assume a symbolic nature.

- Symbols are things, events, actions, or individuals that represent a particular condition within the organization.
- Changing symbols can help reshape beliefs and expectations because the symbolic framework is evident in individuals' daily experiences within the organization.

Examples of symbols include office design, the quality of language used, and the technology employed in organizational rituals.

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Examples for symbolic management:

- **Rituals:**

Types of ritual	Role	Examples in change initiatives
Rites of passage	Signify a change of status or role	Induction to new roles Training programmes
Rites of enhancement	Recognise effort benefiting organisation	Awards ceremonies Promotions
Rites of renewal	Reassure that something is being done Focus attention on issues	Appointment of consultant Project teams and workshops
Rites of integration	Encourage shared commitment Reassert rightness of norms	Celebrations of achievement or new ways of doing things
Rites of conflict reduction	Reduce conflict and aggression	Negotiating committees
Rites of challenge	'Throwing down the gauntlet'	New CEO setting challenging goals

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Examples for symbolic management:

- **Material Aspects:** Changes in the material aspects of the work environment represent powerful symbols of change. Altering material aspects includes changing the location of the headquarters, relocating employees, modifying dress codes and official attire, and making adjustments to offices, either in terms of form or space.
- **Leaders' Behavior:** Particularly that of strategic leaders, typically represents the most potent symbol for change. Therefore, it is important that the observable behavior of leaders in the change process aligns with the change needed by the organization.

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5. Power and Political Systems:

Effecting change may require strong support from individuals and groups, or it may be necessary to redesign power structures, especially when it involves a significant transformation. This represents the second step in the stages of change according to Kotter, namely, building a strong coalition.

Mechanisms associated with implementing strategic change from a political dimension include:

- Control of resources and ownership of additional resources.
- Engagement with influential stakeholders or gaining their support allows for the acquisition of legitimacy.
- Building alliances or a network of relationships or a network of sympathizers.

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Political mechanisms in organizations

Activity areas	Mechanisms			Problems
	Resources	Elites	Building alliances	
Building the power base	Control of resources Acquisition of/identification with expertise Acquisition of additional resources	Sponsorship by an elite Association with an elite	Identification of change supporters Alliance building Team building	Time required for building Perceived duality of ideals Perceived as threat by existing elites
Overcoming resistance	Withdrawal of resources Use of 'counter-intelligence'	Breakdown or division of elites Association with change leader Association with respected outsider	Foster momentum for change Sponsorship/reward of change leaders	Striking from too low a power base Potentially destructive: need for rapid rebuilding
Achieving compliance	Giving resources	Removal of resistant elites Need for visible 'change hero'	Partial implementation and collaboration Implantation of 'disciples' Support for 'young Turks'	Converting the body of the organisation Slipping back

Source: Johnson et al., p. 488.

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Political maneuvers and change

Resistance to change:

- Redirecting resources, reallocating budgets to other projects, giving priority to important individuals and their activities.
- Exploiting inertia: asking everyone to wait until one of the actors takes action, reads a report, or issues a suitable response. Proposing to start evaluating the results of another project.
- Maintaining broad and complex goals, where words are general, dominant, or abstract.
- Encouraging and exploiting awareness gaps within the organization. Insisting on the idea of "we will address the meaning aspect later," knowing that it will not delay or destroy the project.

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Resistance to change:

- "Great idea. Let's implement it in an organized manner," and involve a large number of stakeholders and experts. This involvement brings forth various translations, numerous opinions, and different interests, which can hinder decisions or lead to sterile compromises.
- Dispersion of energy. Establishing specialized committees, requesting studies, collecting data, preparing analyses, outsourcing important tasks, supervising meetings, etc.
- Diminishing the impact and credibility of the change leader. Spreading negative rumors about them, especially among those involved in their project or among their friends.
- Maintaining a low rhythm. Not explicitly showing resistance to change, as this presents an easy target for the change leader.

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Political maneuvers and change

Overcoming resistance to change:

- Establishing a clear direction and objectives. Clarity in objectives enables effective action, while ambiguity and complexity can slow down the change process.
- Creating a simple action plan, consisting of distinct stages.
- Demonstrating the facilitator and negotiator roles. Being open to negotiation. Resistance to change is rarely overcome solely through objective arguments. Relationship management skills are also essential.
- Identifying and overcoming resistance. Adopting a proactive project that confronts and weakens resistance. Referring to high values or strong authorities.

Implementing strategic change

Overcoming resistance to change:

- Forewarning. Using influential intermediaries, infiltrating meetings, and addressing opponents.
- Utilizing confrontation. Using personal influence and persuasion allows for more effective joining than relying on internal notes and anonymous reports.
- Exploiting crises. Individuals usually respond to a change project when there is an explicit crisis faced by everyone, compared to individual attempts to change their behavior.
- Recruiting supporters from the beginning. Building alliances and rallying the most important allies in forming teams. However, recruiting some opponents may be tactically beneficial.
- Establishing a reform committee, a project team. Introducing key representatives with weight, authority, and respect within the organization.

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6. Timing: The timing of implementing the change process plays a tactical role. For example:

- Building on a current or perceived crisis: Leaders of the change process can leverage opportunities such as financial losses or threats from competitors as motivators for strategic change.
- Potential opportunities during the change process: The installation of a new CEO, the successful introduction of a new product, or the emergence of a significant competitive threat can provide opportunities for deeper-than-expected changes. These moments also offer opportunities to mitigate the anger resulting from the change process.
- Symbolic indicators of timelines: It is crucial for leaders to avoid sending conflicting messages about the timing of change. For instance, if the change involves a rapid transformation, focusing on indicators that suggest long-term perspectives may have negative consequences for the change process. Consistency in signaling the timing is essential for effective change management.

Implementing strategic change

7. Visible short-term successes:

This approach is a step in the stages of implementing strategic change management according to Kotter. These successes are small and easy to achieve.

Examples: Introducing a new product range to a retail chain and showcasing its success in the market; eliminating a long-standing organizational routine and demonstrating a more effective way of operating.

While these successes may not represent a significant shift in the new strategy on their own, showcasing them serves to motivate commitment to a broader strategic vision.

Management of strategic change stages

Stages of strategic change:

There are various approaches to the stages of strategic change, with one of the most prominent and well-known being John Kotter's eight-stage approach:

1. **Establishing a sense of urgency:** Understand the urgent need for change and clarify the necessary reasons for it.
2. **Building a strong leadership coalition:** Form a strong and influential leadership team capable of supporting and guiding the change process.
3. **Setting a vision:** Define and establish a clear vision for the direction the organization should take.
4. **Communicating the vision:** Direct efforts to clarify the vision and motivate teams within the organization.

Management of strategic change stages

Stages of Strategic Change:

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5. **Empowering employees to act on the vision:** Promote employee engagement and empower them to achieve the vision.
6. **Achieving small wins:** Attain immediate and small successes to build confidence and commitment.
7. **Building on the successes to achieve larger change:** Use small successes to enhance team support for larger changes.
8. **Institutionalizing new practices:** Embed the change by integrating new practices into the organization's culture.

Management of strategic change stages

Reconstruction management: Reconstructing strategy

- To avoid decline, the leader of the change process must focus on rapidly reconstructing the strategy. Therefore, it is essential to implement a reconstruction plan.
- A reconstruction plan is a rapid change process that emphasizes a sharp reduction in costs or a significant increase in revenue.

Key elements of the reconstruction plan:

- **Exiting crisis toward stability:** Refocusing on stability and steering away from the crisis.
- **Changing the course:** Redirecting the trajectory of the organization.
- **Obtaining stakeholder support:** Gaining support from stakeholders.
- **Clarifying objectives:** Defining and clarifying objectives.
- **Financial restructuring:** Restructuring finances for adaptability.
- **Setting priorities:** Establishing and prioritizing key actions.

Management of strategic change stages

Revolutionary Change Management

Revolutionary change differs from reconstruction through two critical tasks that make its leadership challenging:

- Speed with cultural web change;
- Evolution in gaps over time leads to strategic drift, making change more challenging for individuals expected to address it.

Revolutionary change typically requires:

- Clear strategic direction.
- Blend of economic and symbolic incentives.
- External perspective.
- Diverse leadership approaches.
- Use of the actual culture.
- Continuous monitoring of change.

Management of strategic change stages

Evolutionary Change Management

Evolutionary change requires a gradual transformation, unfolding through two perspectives:

1. Building an organization capable of continuous evolution (learning organization). However, this is characterized by complexity due to the following reasons: the degree of autonomy; a clear strategic vision; ongoing change, and a constant capacity for experimentation.
2. Transitioning from one strategy to another (sometimes after a few years). Yet, those leading the change must commit to the following principles: identifying intermediaries in the change process, irreversible changes; managerial commitment; the ability to persuade and instill enthusiasm.

Common problems during the implementation of the change process

- The loss of focus is a result of a series of initiatives for a single change project, leading workers to perceive it as "change rituals."
- Transforming the change process to encompass other goals within the organization.
- Reinterpreting the new strategy according to the old culture.
- Going along with the change project without embracing or actively participating in it, as mere behavior susceptible to the change process represents superficial commitment.
- Deceptive auditing and resistance.
- Breaking agreements and eroding trust among members of the change team or between the change leader and various stakeholders.

How to overcome problems in the implementation of the change process

To overcome challenges in implementing the strategic change process and enhance the success prospects of the change initiative, the Boston Consulting Group recommends the following:

- **Regular progress monitoring:** Change programs should be formally evaluated at least every two months to ensure that core activities are completed. These activities should be explicit and well-distributed throughout the organization.
- **Competent and integrated team:** Assemble a team with core and additional skills that are confirmed during each evaluation process. The team should be competent and well-integrated.
- **Clear engagement of managers:** Managers should clearly explain the change program, especially to those directly involved.
- **Availability of time and resources:** Managers must ensure the availability of necessary time and resources to implement and conclude the change program.

Summary

- On the other hand of the inherent resistance to change projects, there are political ways to overcome such resistance. The most prominent among them is for the leader to master the art of relationship management, in addition to demonstrating competence in objective analysis.
- Motivational means for implementing the change process include building a convincing case for change, questioning the taken for granted, changing operational procedures, routines, symbols, and political procedures. Additionally, utilizing appropriate timing and celebrating small successes can contribute to overcoming resistance.
- To address challenges in the implementation of the strategic change process, the Boston Consulting Group recommends regular progress monitoring, assembling a competent and integrated team, ensuring clear engagement of managers, and providing the necessary time and resources.