

# Strategic change

There is no easy way to manage strategic change, and no simple formula that will work in all cases; this article simplifies a very complex subject. It is emphasised that change must be context sensitive. The culture web framework is introduced as a means of addressing the 'softer' issues, which is a critical first step, as barriers to change must be identified. The change kaleidoscope will help managers to understand the change context and plan for transition.



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## Introduction

All organisations are currently undergoing some type of change. Many of these change programmes arise from management fads such as culture change, business process engineering, empowerment and total quality. Other change initiatives are driven by the need for organisations to reposition themselves in the face of changing competitive conditions.

A good example of this is the change process currently under way at Marks & Spencer. The term 'strategic change' is usually reserved for such initiatives. These often involve radical transitions within an organisation that encompass strategy, structure, systems, processes and culture.

The track record of success in bringing about strategic change within organisations is poor. Many simply fail to grasp that it is implementation (that is, actually turning plans into reality) rather than formulation that is the hard part. For strategic intent to become reality, it is necessary to change the way in which individuals within an organisation behave. This requires more than restructuring and new systems.

There are three issues that managers leading change need to address :

- Major change requires a shift in the underlying culture of the organisation and therefore the attitudes and behaviours of the employees. Many change initiatives stumble because they fail to deliver this shift by addressing the cultural and political reality of

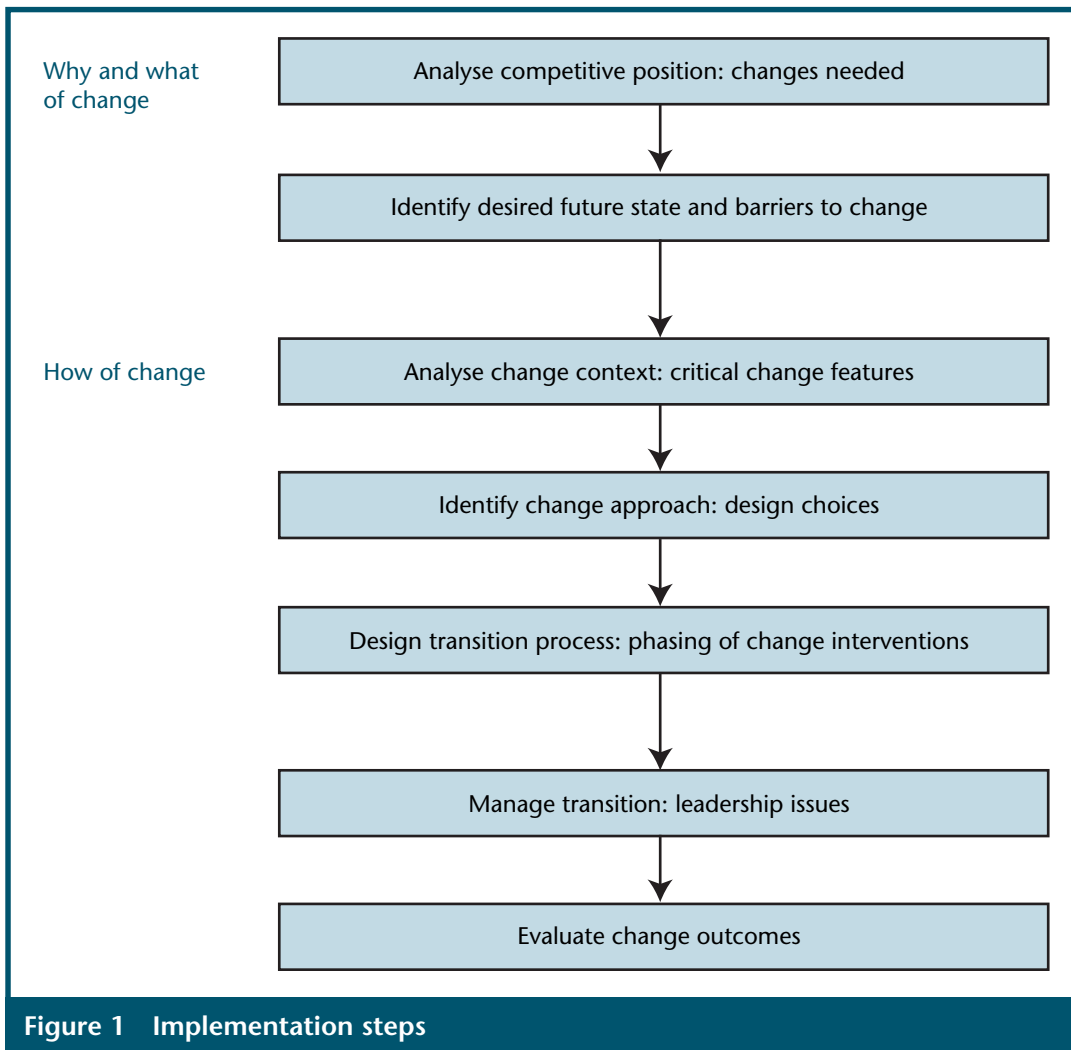
organisations. This occurs because there is a misunderstanding about

- the nature of culture in organisations;
- how difficult it is to change culture;
- the wide range of interventions that are required if a cultural shift is to be achieved.

- If change implementation efforts are to be successful, they need to be designed to fit the organisational context, that is, they need to be context sensitive. All too often, because of the complex nature of change, organisations attempt to pull down off the shelf solutions or recipes which they have seen work in other contexts, but which are inappropriate to their context of operation.
- Change is about changing people, not organisations. Organisations change when the managers and employees change their way of doing business. It needs to be recognised that employees are an intrinsic part of the change process.

The article briefly addresses the following issues :

1. Various types of change, and the routes that can be taken to deliver strategic change and the link between change and culture, are discussed. A framework, the culture web, is introduced. This can be used to audit an organisation's existing culture, identify the barriers to change, and build a picture of the desired future state of the organisation.
2. A second framework, the change kaleidoscope, is then described. This can be employed to develop context sensitive approaches to change.



3. Finally, some of the people related aspects of change are considered.

A flowchart of the steps that managers need to take when implementing change in an organisation is shown in *Figure 1*.

### Paths of change : delivering strategic change

The four main types of change are shown in *Table 1* (overleaf).

Change can be classified by the extent of the change required, and the speed with which the change is to be achieved :

- The speed of change is about the way that change is implemented. It ranges across a continuum from an all-at-once, big bang type of change to a step-by-step, stage-by-stage incremental kind of change.
- The extent of the change required ranges across a spectrum from transformation to realignment :
  - Transformation entails changing an organisation's culture. Culture is to do with the shared and taken-for-granted assumptions and beliefs within an organisation (the paradigm) that shape 'the way of doing things around here'. More specifically, a transformation is a fundamental change within an organisation that cannot be handled within the existing organisational paradigm. For example, the retail banks in the UK have been attempting such a shift for the last ten years. They have attempted to move from being internally focused organisations that are concerned with safe, secure lending to more customer focused retail organisations.
  - A realignment, on the other hand, does not involve a fundamental reappraisal of the central assumptions and beliefs within an organisation.

**Table 1 Types of change**

		Extent of change	
		Transformation	Realignment
Speed of change	Incremental	<i>Evolution:</i> Transformational change implemented gradually through interrelated initiatives; likely to be proactive change undertaken in anticipation of the need for future change	<i>Adaptation:</i> Change undertaken to realign the way in which the organisation operates, implemented in a series of steps
	Big bang	<i>Revolution:</i> Transformational change that occurs via simultaneous initiatives on many fronts; more likely to be forced and reactive because of the changing competitive conditions that the organisation is facing	<i>Reconstruction:</i> Change undertaken to realign the way in which the organisation operates, with many initiatives implemented simultaneously; often forced and reactive because of a changing competitive context

The change, for example a major restructuring, can still be substantial though.

### Culture web

A good way of assessing the extent of change required is to use a framework such as the culture web (see *Figure 2*).

A culture web represents culture as an interlinked set of organisational subsystems in which the paradigm drives the visible manifestations of culture, such as the organisational symbols, routines and rituals, stories, control systems and structures.

The web can be completed for the current organisational culture, and then redrawn to represent the type of culture that is necessary if the proposed changes are to be successful. If the changes require alteration to some of the central assumptions and beliefs sitting in the paradigm, then the changes will be transformational. The use of such a framework can prevent overestimation of the extent of change required, the announcement of wholesale culture change, and subsequent disillusionment when this does not materialise because it is not necessary.

### Transformational change

It is important to not be naive about the amount of effort required to implement transformational change. Organisational change requires individual change. To

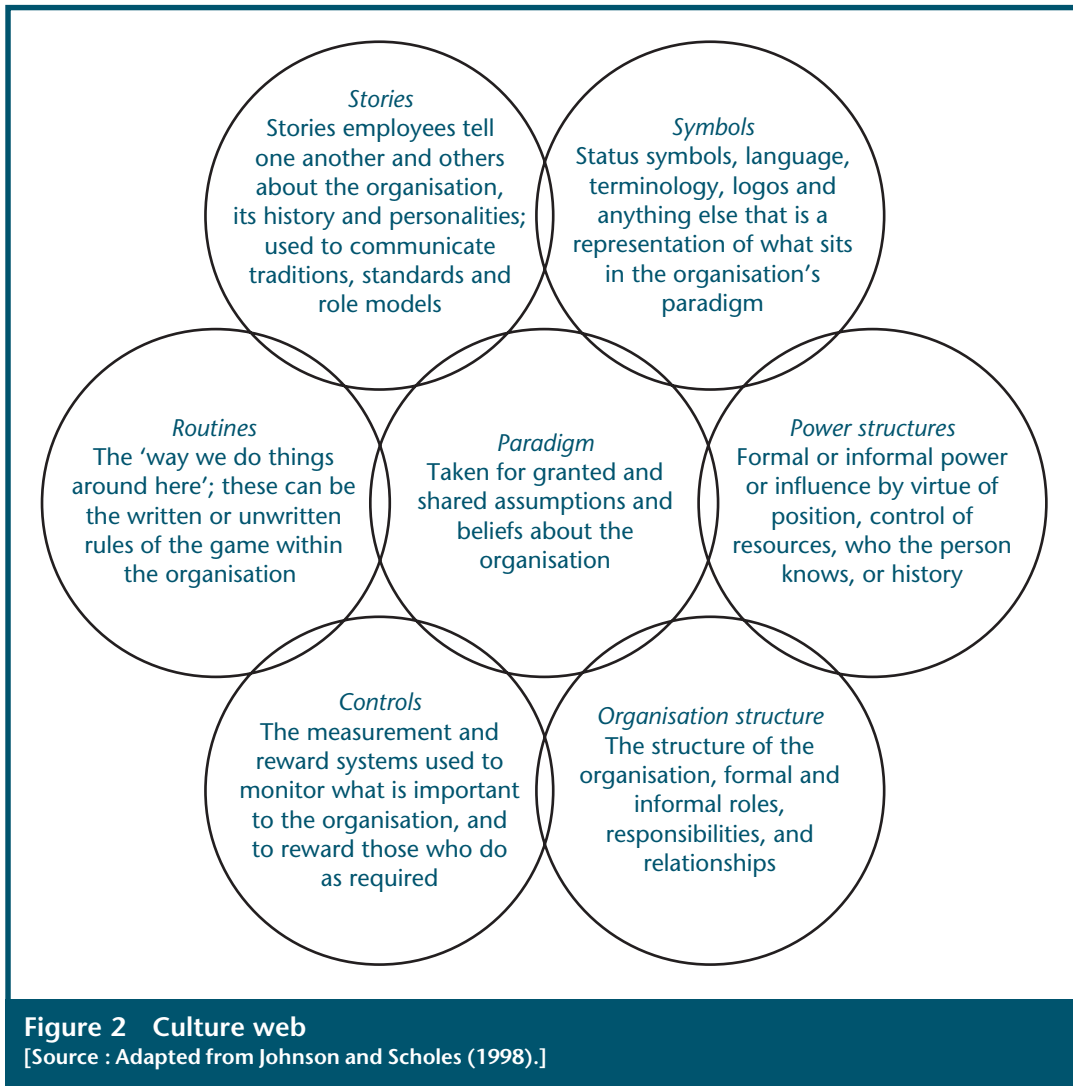
change the culture of an organisation, it is necessary to change the way in which individuals both behave and think about their work, and individuals take time to change.

Unless there is a very high degree of readiness for change among its employees, an organisation is unlikely to be able to deliver a revolution. If it needs to change very quickly, it may have to change its staff, that is, recruit new workers.

Organisations do sometimes do this. Midland Bank, the then owners of First Direct, the first telephone banking operation in the UK, set out to staff its new venture with non-banking people. It believed that banking staff did not have the right customer service mindset, and would take too long to change their ways.

Changing individuals requires considerable investment, for example in communication, education, training and support. That is why this article talks of paths of change. An organisation may want to deliver a transformational change in a revolutionary manner, but may be restricted in doing so because of the enormity and expense of the transition task.

An organisation in crisis is unlikely to have the time or the money to deliver a transformation. A more feasible route is to effect a turnaround by restructuring the business, cutting costs, and selling off loss-making business. Then once the business is in a more financially sound situation, it can invest in a longer term evolution. British



Airways used this approach in the early 1980s, as did GE under the management of Jack Welch in the late 1980s and 1990s.

Alternatively, an organisation may be undertaking proactive change, but lack the capability (see below) to implement a transformation. In this case, the organisation can first effect an adaptation or reconstruction to do with building capability among its staff, and maybe raising levels of readiness for change. This can then be followed by an evolution.

## Choosing the change path : devising context sensitive approaches to change

### Change kaleidoscope

The change kaleidoscope (see *Figure 3* overleaf) was created to help managers design a context sensitive approach to change within their organisation.

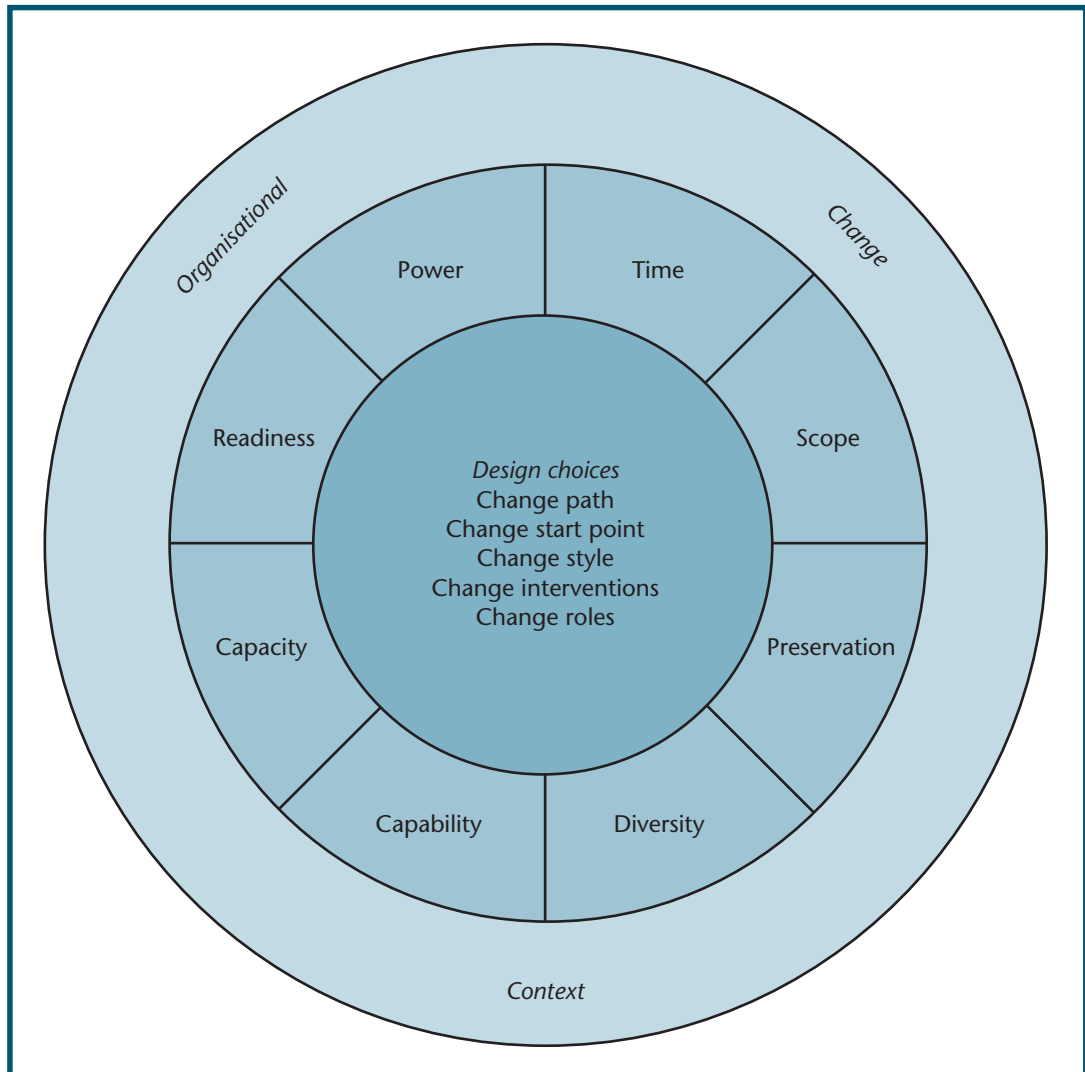
The kaleidoscope contains

- an outer ring that relates to the wider organisational strategic change context;
- a middle ring that represents the more specific contextual features of the change situation;
- an inner ring that correlates with the menu of design choices open to change agents when implementation of change is attempted.

The contextual features are aspects of the organisation that relate to its culture, competencies and current situation. These can be extracted from the broader strategic context.

These are the definitions of the contextual features.

- **Time** : This is the time that an organisation has to achieve change. Organisations in crisis have little time, and they need to change reactively. Those concerned with



**Figure 3 Change kaleidoscope**  
[Source : Adapted from Balogun and Hope Hailey (1999).]

longer term strategic development normally have more time to change.

- **Scope** : The scope is the degree of change required in terms of realignment or transformation. It is also necessary to consider how much of the organisation is affected. Is the change restricted to a particular division or department, or is it organisation-wide ?
- **Preservation** : Preservation relates to the extent to which it is necessary to
  - maintain certain ways of working and certain aspects of culture;
  - retain particular groups of staff;
  - preserve specific organisational competencies.
- **Diversity** : This is the degree of diversity among the staff groups who need to undertake change. Divisions and departments, for example sales and R&D, may

have different subcultures. Divisional cultures may also be affected by national cultures.

- **Capability** : There are three levels of capability :
  - *individual* : the abilities of individuals to cope with the transition that they will have to undertake;
  - *managerial* : the ability of managers to help their staff through the transition process;
  - *organisational* : the existence of organisational resources with the knowledge and ability to manage change of the type(s) required.
- **Capacity** : This relates to the resources that are available for investment in the proposed change. There are three types :
  - the amount of money that is available for investment;

- the time that managers have to devote to the change process;
- the number of people with an adequate change capability.
- *Readiness* : This is the extent to which staff are
  - aware of the need for change;
  - committed to making the personal changes required of them.
- *Power* : This is the amount of power, or autonomy, that the key change agents have to implement change as they wish.

These features should be considered before a change approach is selected from the menu of design choices.

These are the definitions of the design choices :

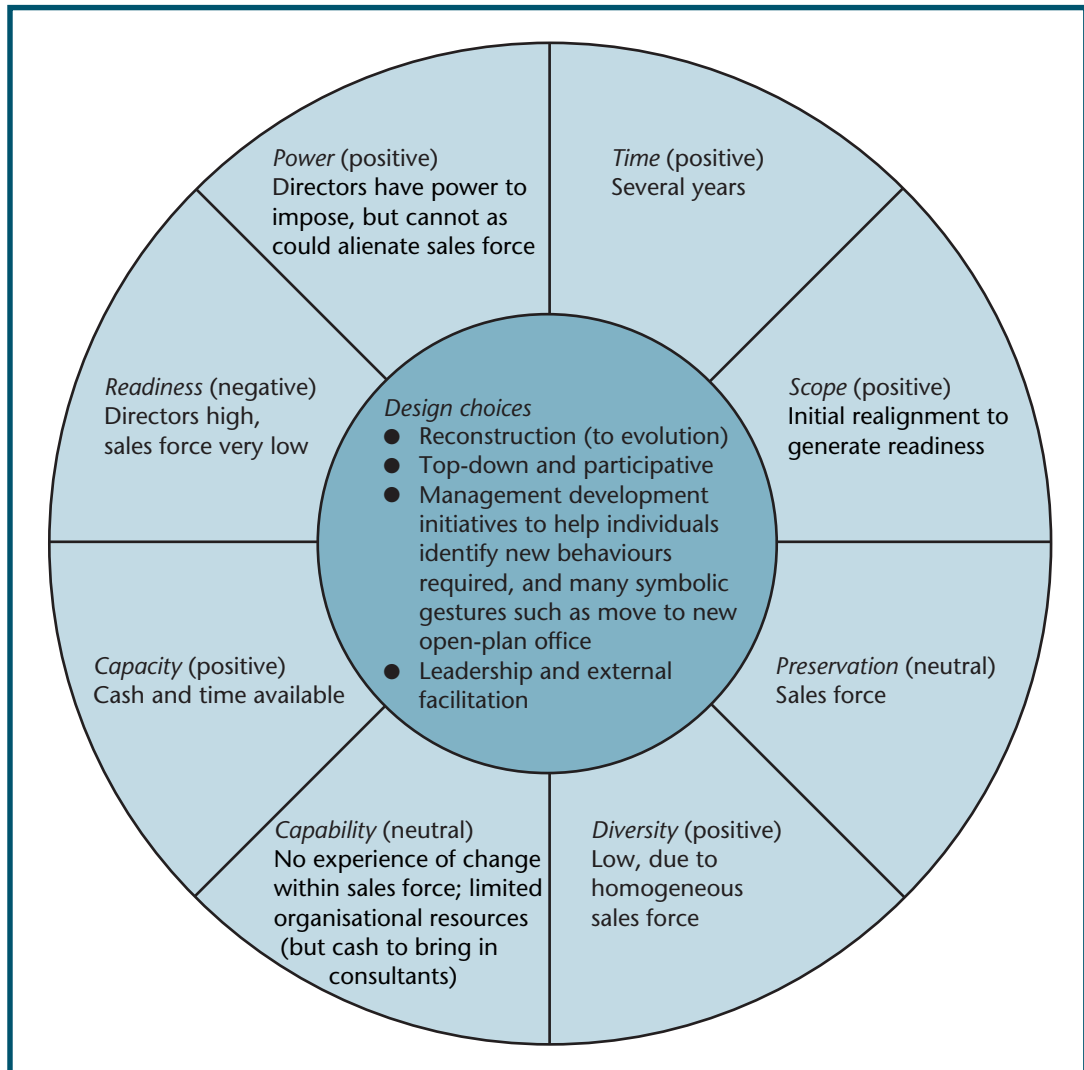
- *Change path* : This consists of the types of change, in terms of the extent of change and the speed of change, that need to be undertaken for the required change outcome to be delivered.
- *Change start point* : This is where the change is initiated and developed. For example a change can be top-down or bottom-up, or some combination of the two. Other choices include pilot sites and pockets of good practice.
- *Change style* : This is the management style of the implementation. There is a continuum of styles, from highly collaborative to participative, directive, and then coercive. There are no prescriptions. Top-down change can still be collaborative or participative.
- *Change interventions* : These are the levers and mechanisms to be deployed. They include
  - technical interventions (structures and systems);
  - political interventions;
  - cultural interventions (symbols, stories, rituals, routines);
  - interpersonal interventions (education, communication, training, personal development).
- *Change roles* : These determine who is to take responsibility for leading and implementing the changes. These roles, which are not mutually exclusive, include
  - leadership (responsibility resides with an individual such as the MD or CEO);
  - outside facilitation from consultants;
  - the involvement of a change action team;

- delegation to a functional head.

The kaleidoscope does not give contextual configurations that can in turn be used to prescribe formulaic design choices for particular contexts. Just as a real kaleidoscope continuously rearranges the same pieces of coloured glass to produce different images, the eight contextual features are constantly reconfigured to produce different pictures for each organisational change situation. As a result, the change designs also vary.

There are a number of frameworks that can be used to help assess the contextual features for an organisation.

- The scope of change maps directly onto the choice of change path, and so it can be assessed using a framework such as the culture web. However, the spread of change within the organisation, for example in terms of whether the changes are organisation-wide or restricted to one division such as sales or R&D, also needs to be considered.
- With respect to diversity, the web can be used to help identify cultural features that should be preserved and various organisational subcultures.
- When considering preservation, one must decide whether certain organisational competencies must be retained, or if there are particular groups of staff that the organisation cannot afford to lose. These can be identified through the use of, for example, a resource audit, which is an assessment of the physical, human, financial and intangible resources within an organisation that underpin its competitive position.
- Diversity may be affected not only by different organisational, national, regional, divisional and departmental subcultures, but also by professional cultures. One example is the different professional cultures of clinicians, nurses and managers in hospitals.
- Power issues can be assessed by using frameworks such as stakeholder analysis, in which the various organisational stakeholders are plotted on a grid on the basis of their attitude to change and their degree of influence. This enables the relative power position of the change agent to be established. Not all change agents wield position power. In many partnership organisations undergoing change, the partner leading the initiative may formally have a position equivalent to that of managing director. However,



**Figure 4 Key contextual features of Glaxo**

[Positive features facilitate change. Negative features hinder change.

Source : Adapted from Balogun and Hope Hailey (1999).]

because of the decision making structure in a partnership, in which all partners have some say in what happens, he or she will not be in a position to impose change and change decisions. The reaction of external stakeholders can also restrict the decision making power of organisations. In 1995, Shell wanted to dump its Brent Spar oil platform in the Atlantic Ocean. Greenpeace, the environmental lobbyists, campaigned to prevent this. The campaign led to a consumer boycott of Shell in Europe. As some European governments also opposed Shell's proposal, Shell was forced to abandon its plans.

- The degree of readiness for change can be gauged through attitude surveys and interviews.
- There are no particular frameworks for assessing change capacity and capability.

Change capacity may be affected by wider organisational stakeholders. An organisation may be a subsidiary of a parent organisation that is reluctant to allow it to spend money on its chosen change programme, perhaps because of the financial situation of the parent holding company. Change capability is also affected by the sophistication of the organisation's performance management and human resources systems. Rewards (formal and informal, financial and other), appraisal criteria, promotion criteria, types of people recruited, performance measures and so on can be used to encourage staff to adopt new ways of behaving. Organisations that already have such systems and mechanisms in place have a higher change capability, as these systems act like strings running through the organisation that can be used to help achieve the desired changes.

## Contextual features and design choices

What matters is not the individual impact of each contextual feature on the design choices, but the impact of all of them together.

Figure 4 shows the contextual features and design choices for a change process undertaken by Glaxo Pharmaceuticals in 1988 prior to its merger with Wellcome in the early 1990s.

Glaxo was undertaking a proactive change initiative with *time* on its side. The initial *scope* was only realignment, as the aim was to generate *readiness* in its complacent sales division for the transformational changes that were to come to match the changing customer requirements of the National Health Service and the reduced income that would result from one of Glaxo's major drugs coming off patent in the mid-1990s.

Glaxo's main advantage was that it was currently very profitable, and had the *capacity* to invest in the change process. However, it wanted to ensure that the change process did not antagonise its sales force and cause them to leave and join competitors.

The timescales and the two phases of the scope allowed it to follow a path of reconstruction to generate the required levels of readiness, followed by a longer term evolution. Its capacity and time enabled it to invest in participative personal development initiatives and other symbolic interventions as part of the reconstruction, which would have been out of reach for a less profitable organisation.

## Change interventions

Which change interventions to use is an important consideration. Change ultimately entails the deployment of a range of levers covering all the organisational subsystems shown in the culture web. Given the interdependency of these subsystems, it is difficult to change one part in isolation. Transformational change initiatives in particular, which require a change in the shared assumptions and beliefs of an organisation, are more likely to fail if those leading change focus on changing just structures and systems, paying little attention to softer levers and mechanisms such as symbols, rituals and routines. The web can be used to identify which change levers to use.

Interventions need to be designed to remove the barriers to change in the existing web, and to create the new structures, systems, routines, rituals, symbols, and stories shown in the new web. Communication, education, training and personal development initiatives will also be required to help individuals undertake the changes required of them. The greater the extent of change, the more such initiatives will be required.

Realignments may still require a change in the nature of the work that people do and the outcomes they achieve, such as levels of productivity and sales or customer response. An organisation can change rewards and performance measures to focus employees on the achievement of different outcomes, and/or it can put in place interventions that are to do with changing individual roles and responsibilities to alter the way people work.

Such interventions may need to be supported by training and measures to assess the degree of change occurring. However, mutually supportive changes may still be needed in other areas to ensure that no contradictory messages are sent to staff. If managers talk of innovation, quality and teamwork, but continue to focus on blaming people for mistakes, cutting costs and rewarding individual performance, this behaviour will undermine the rhetoric of change.

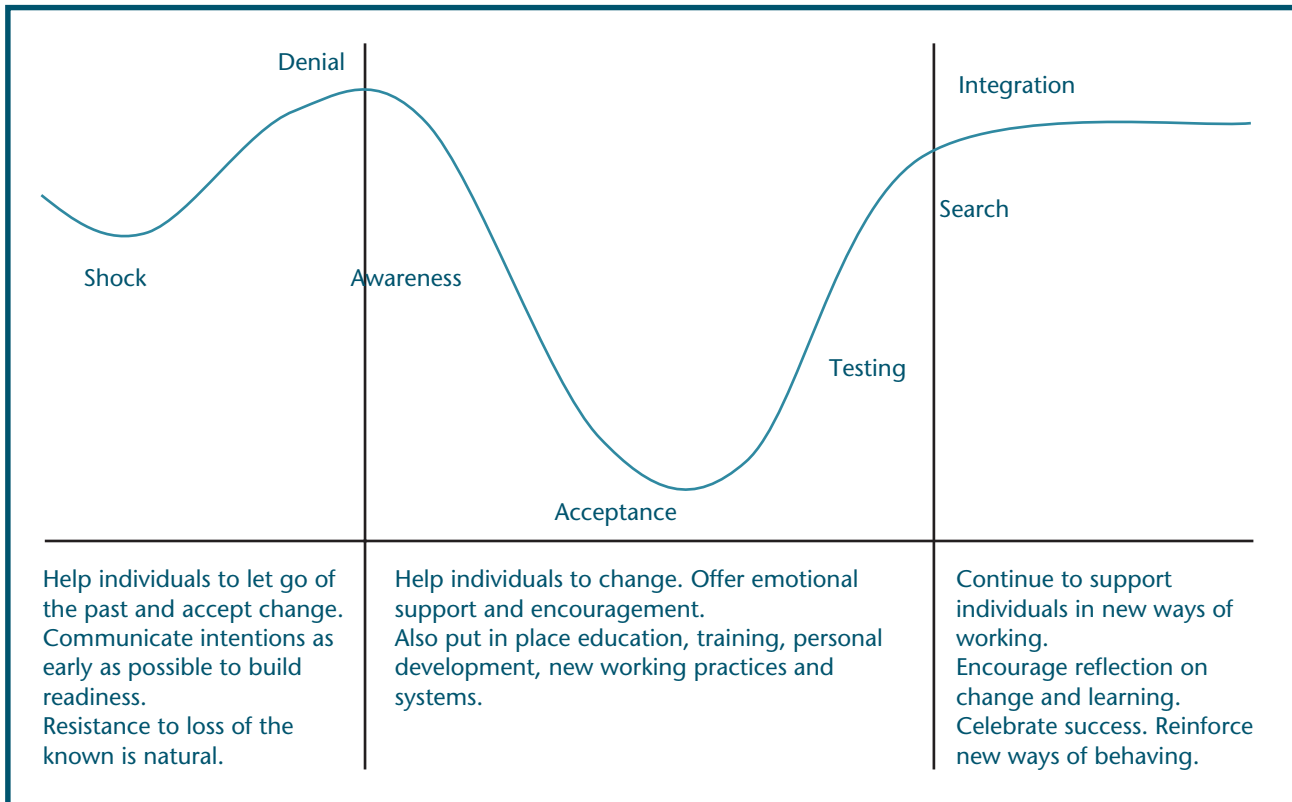
## Change and individuals : the transition process

To comprehend how individuals experience change, it is necessary to understand the transition curve (see Figure 5 overleaf).

The transition curve shows that change is a gradual process in which recipients experience self-doubt about their ability to cope, which results in decreases in confidence and performance. Change can be likened to bereavement; it usually involves a loss of the familiar, uncertainty and ambiguity.

Different individuals pass through the curve at different speeds, and employees have to be helped through the process by their managers. It is easy to forget that the purpose of employing the selected range of levers and mechanisms discussed above is to help individuals to change. It is necessary to deploy a range of interventions to do with communication, education and training, coaching and counselling, and also to use a





**Figure 5** Transition curve

number of symbolic gestures and new systems and processes as appropriate to help people

- let go of the past;
- come to an understanding of what is expected of them in the future;
- take on board their new roles, responsibilities and relationships.

**Middle managers**

The transition process can create many problems for middle managers. Although these people are often accused of resisting change and derailing the change efforts of their seniors, the middle managers also fulfil a very important role. They are the linking pin between the senior management team and the rest of the organisation. They have responsibility for helping their staff through the change process while simultaneously undertaking change themselves.

They have four roles to perform. They need to

- undertake personal change;
- help their teams through change;
- implement the necessary changes in their parts of the business;

- keep the business going in the interim.

Most middle managers have already experienced an intensification of their workloads because of the downsizing of the 1990s. Change creates an additional workload.

Middle managers can help themselves by forming peer support groups and networks within which they can

- exchange ideas and learning about the change process that they are experiencing;
- share ideas on how to progress change within their areas and overcome the obstacles they are encountering.

Organisations also need to support middle managers by providing them with training in change management and the interpersonal skills that they will need to facilitate change within their teams.

**Summary**

The one thing that is certain in the organisations of today is that there will be more, not less, change. All managers need to have an ability to manage such change.

The solution for managers does not lie in learning a series of change recipes or formulas. They need to have

- analysis skills so that they can understand their context of operation;
- judgement skills so that they can use this knowledge to determine what is key about their context and the implications of this for their change design;
- influencing and interpersonal skills so that they can sell their change ideas to others.

Finally, they need to be able to put their thinking into practice.

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## Further reading

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*Discusses the transformation of British Airways in the 1980s.*
- 'Strategic choice'  
Grundy, T *Management Quarterly* Part 8 (July 2000) pp 2–10  
*Includes a section on stakeholder mapping.*
- *Control Your Destiny or Someone Else Will*  
Tichy, N and Sherman, S (1993)  
Doubleday  
*An account of how Jack Welch led change at GE.*