

EXECUTIVE SUMMARY

QUESTION

In this age of uncertainty and constant change, what are the newest developments in change management models to increase organizational effectiveness, agility and change readiness?

INTRODUCTION

Businesses are constantly required to adapt to a changing environment in order to maintain their position in the market and even more so if they are to truly grow.¹ Few organizational change efforts tend to be complete failures, but few tend to be entirely successful either.² Considerable research efforts have been deployed to fill that knowledge gap and support executives in the field of change management.

THEORETICAL DEVELOPMENT

- **Dual operating system and eight accelerators**

John P. Kotter published the classic book *Leading Change* in 1996 in which he outlined an actionable eight-step process for implementing successful transformations.³ It became an instantaneous success at that time and subsequently became the best-selling book ever of its kind. Despite the popularity and wide acceptance of Kotter's change management model, business leaders still have a hard time bringing about successful changes. Balogun and Hope Hailey report a failure rate of around 70 percent of all change programs initiated.⁴

In review of mounting complexity and increasing speed of change, Kotter believed that the notion of strategy has to evolve. Strategy should be viewed as a dynamic force that constantly seeks opportunities, identifies initiatives that will capitalize on them, and completes those initiatives swiftly and efficiently. He argued that the hierarchical structures and organizational processes does well in meeting daily demands of running a company, however, due to their inherently risk-averseness and resistance to change, they do not do well in winning in this faster-moving world. The solution Kotter proposed is a second system that devoted to the design and implementation of strategy, and uses an agile, network like structure and a different set of processes.

In such a system the hierarchy can hand off the pursuit of big strategic initiatives to the strategy network, freeing itself to focus on incremental changes to improve efficiency. The network is populated by employees from all levels of the organization, giving it organizational knowledge, relationships, credibility, and influence. It can liberate information from silos with ease. It has a dynamic structure free of bureaucratic layers, permitting a level of individualism, creativity, and innovation beyond the reach of any hierarchy. The network's core is a guiding coalition that represents each level and department in the hierarchy, with a broad range of skills. Its drivers are members of a "volunteer army" who are energized by and committed to the coalition's vividly formulated, high-stakes vision and strategy. Complementing his original model, Kotter introduced 8 accelerators that enable the strategy network to function. They are 1) create a sense of urgency around a single big opportunity 2) build and maintain a guiding coalition 3) formulate a strategic vision and develop change initiatives designed to capitalize on the big opportunity 4) communicate the vision and the strategy to create buy-in and attract a growing volunteer army 5) accelerate the movement toward the vision and opportunity by ensuring that the network removes barriers 6) celebrate visible, significant short-term wins 7) Never let up. Keep learning from experience. Don't declare victory too soon 8) Institutionalize strategic changes in the culture. He thinks of strategy as an ongoing process of "searching, doing, learning, and modifying," and of the eight accelerators as the activities that inform strategy and bring it to life. The network and the accelerators can serve as a continuous and holistic strategic change function which enables the organizations to be quicker, much more agile and more creative.⁵

- **Institutional logic**

Rosabeth Kanter is one of the top managerial theorists in the United States and a recognized expert in change management.⁶ In her seminal book *Challenge of Organizational Change*, she proposed Ten Commandments for Executing Change, which provided practical guidance to organizations and managers.⁷

Her recent research, however, led her to new discoveries. She believed that institutional logic guides the practices of widely-admired, high-performing companies. It builds on widely shared values and a sturdy platform of common processes and technology, not from top-down decrees. Through this shift in what might be called their guidance systems, companies transform themselves from impersonal machines into human communities and gain the ability to transform the world around them in very positive ways. In addition to that, companies become as creative and nimble as much smaller ones, even while taking on social and environmental challenges of a scale that only large enterprises could attempt.⁸

Kanter observed that values turn out to be the key ingredient in the most vibrant and successful of today's multinationals. Once people agree on what they respect and aspire to, they can make decisions independently and not work at cross-purposes. Meanwhile, standardized management practices and technologies create a platform which enables people to focus on high-order concerns. Values

and standards could also serve as motivational tools. They offer people a basis for engagement with their work, a sense of membership, and an anchor of stability in the midst of constant change. Kanter pointed out the trend of a loosening of organizational structures in favor of fluid boundaries and flexible deployment of people. The traditional way of achieving mobility, international exposure and knowledge transfer by career development is relatively slow. What's on the rise is the practice of asking managers to take on regional or global assignments from anywhere, while not changing their home address. Also on the rise is the number of people serving as connectors among extended networks of partners across inter- and extra-company boundaries. Social contributions are no longer an afterthought but a starting point that helps companies find profitable growth. The interplay of corporate standards and local conditions puts companies in a position to influence the ecosystem around them (especially in emerging markets) and to generate innovation.⁹

BEST PRACTICES

- **Dual operating system**

 - **B2B technology firm**

After seeing consecutive annual sales slip and later diminishing market share, Paul Davidson, a sales executive at a B2B technology firm persuaded the CEO to adopt a more dynamic approach and put dual operation system in place. He firstly pulled together an “urgency team” of 20 volunteers from across the organization. Then they spent three months devising ideas for forging a broad understanding of, passion for, and commitment to the opportunity to change. Next the urgency team, working with the executive committee, invited employees to apply for a role in the guiding coalition. 36 were selected out of the 210 applicants, and most of them are from middle management and below. GC functioned without a formal leader. Despite initial awkwardness, a new organizational logic arose: for any given activity, the people with the relevant information, connections, motivation, and skills took the lead. With input from top management, the outside study, and colleagues throughout the organization, the GC developed a vision and a strategy. The original urgency team's methods helped the GC take the vision and the strategy to the entire field organization, using training, communications tools, the portal, and face-to-face conversations, which proved to be particularly powerful. The more team members talked to colleagues, the more excited people became. The people involved talked, e-mailed, and met as needed to get the work done. In the main GC meetings, members reported progress, shared information, solicited ideas, and asked for help. Senior managers helped to ensure that lower-level employees got the information they needed to make smart decisions. Lower-level people added frontline information that ordinarily wouldn't have. The guiding coalition came up with a big, visible win six months into the process: It built a new, simplified IT tool at a remarkably low cost in a short period of time. The company never let up. Many mistakes occurred along the way, but the system continues to improve.¹⁰

- **Institutional logic as key to business success and growth**

 - **Diageo**

Diageo, the world's leading producer of alcoholic beverages, had entered the market with a large investment in East African Breweries but couldn't match the low price of home brew, which subject to no standards or inspections and sold out of garages. Illicit beer was downright dangerous in a country where water supplies are often contaminated – it was known to cause blindness as well as the intense hangovers and related illnesses that routinely lowered productivity in Kenya's labor-intensive industries. But it was popular because, with no government taxes added to its price, it offered the most sips for the shilling.

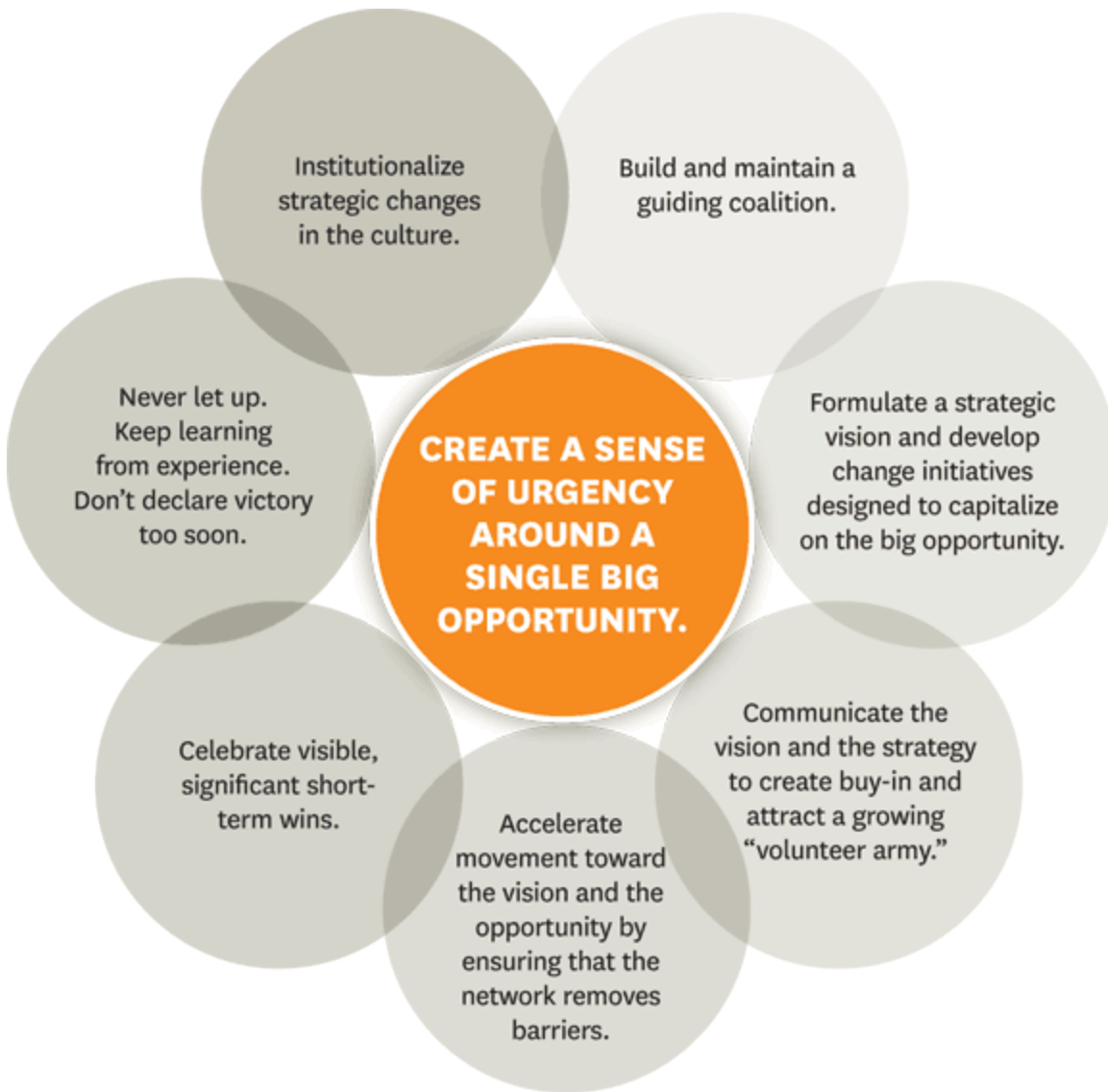
Diageo had the benefit of local talent with global thinking who could recognize the opportunity in the situation and seize it. (Over the years, the company encouraged members of the internationally educated African diaspora to return to Africa at expatriate pay rates.) The local team put the focus on the best outcome for society and was therefore able to open lines of communication with the national government. The company proposed producing a low-cost beer and making it widely available, giving the buyers of illicit beer an alternative they would consider reasonable. The safer product would succeed, however, only if the government agreed to reduce the surtax on it, so the price would be truly comparable. It was clear that if more people bought legal beer, taxes would be collected on a greater proportion of the alcohol being consumed. A tax cut, therefore, was likely to yield higher tax revenue overall. To make the new beer, now called Senator, widely available, Diageo needed to develop a new distribution channel: responsibly managed licensed pubs. The team talked to community leaders throughout Kenya to identify influential solid citizens, such as shopkeepers and sports club owners, who could set these pubs up. Diageo provided equipment and trained them in business operations, eventually establishing 3,000 new outlets. The launch of Senator Beer saw success on many fronts. Beyond the high market share it immediately claimed, Diageo received a prestigious award for contributing to reduced rates of blindness and increases in workplace productivity. Meanwhile, thousands of new small businesses flourished, and government policies started to change. The work was gratifying to Diageo managers both locally and internationally. At the time of Diageo's formation in 1997 (by the merger of Guinness and Grand Metropolitan), its leaders had articulated the company's values and operating principles to emphasize both high global standards and local community responsibility. With that kind of guidance system in place, local decision makers – even in a “sin industry” – can have a transformative positive social impact.¹¹

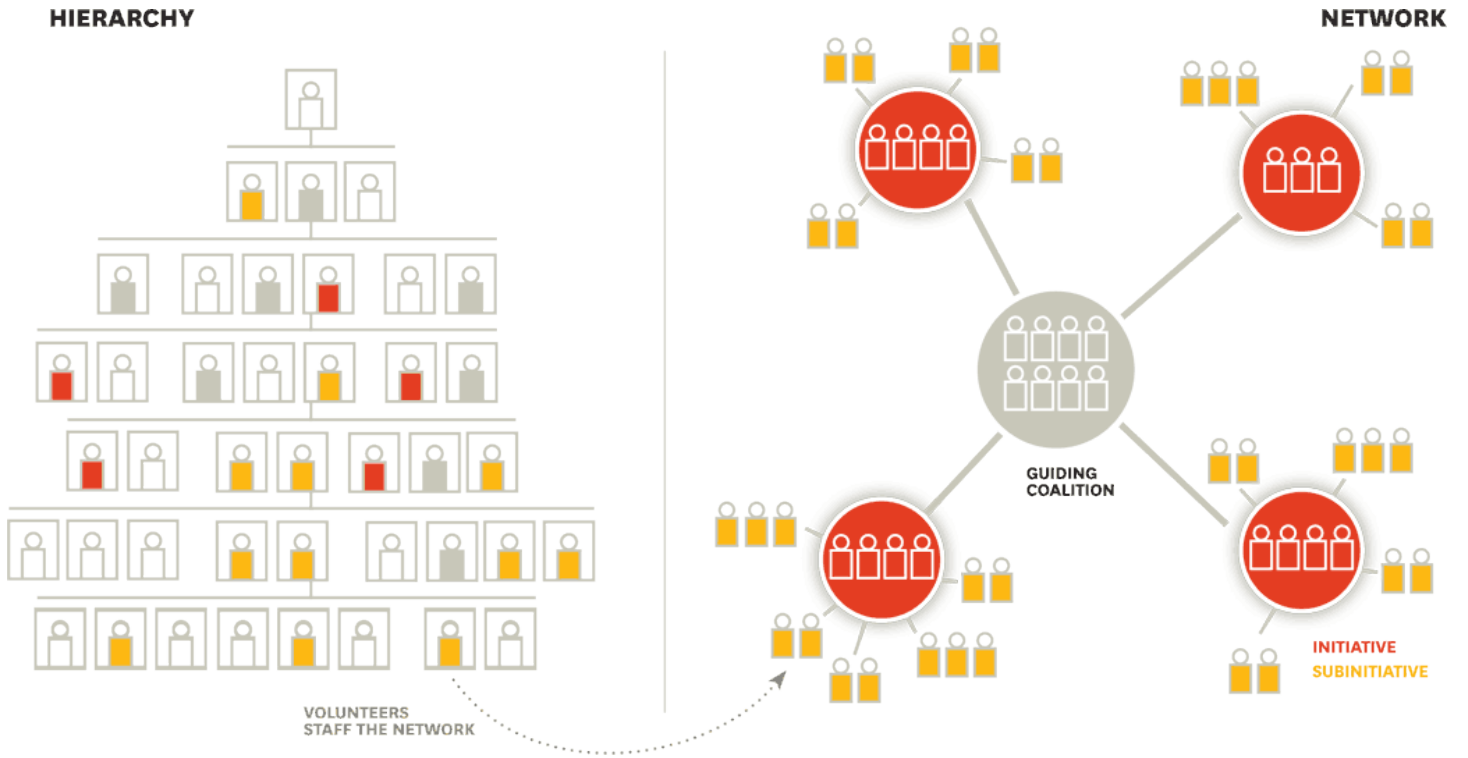
- **Loosening of organizational structures in favor of fluid boundaries and flexible deployment of people**

 - **Best Buy**

Twelpforce is a system with more than 2,500 Best Buy employees signed up for, which enables them to see Best Buy-related problems that customers have aired on Twitter and respond to them. Twelpforce includes customer service staff, in-store sales associates (called Blue Shirts), and Geek Squad, the service reps who make house calls for technical assistance. By empowering its employees, Bestbuy is able to build solutions at the speed of today's connected customers and thus resulting in better customer experience and brand image.¹²

The Eight Accelerators





Cited References

(Listed in order used within Executive Summary)

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- ² Kotter, J. P., & Schlesinger, L. A. (2008). Choosing strategies for change. *Harvard business review*, 86(7/8), 130.
- ³ Kotter profile. Retrieved from <http://www.hbs.edu/faculty/Pages/profile.aspx?facId=6495>
- ⁴ Balogun, J. and Hope Hailey, V. (2004) Exploring Strategic Change, 2nd edn (London: Prentice Hall).
- ⁵ Kotter, J. P. (2012). ACCELERATE! (cover story). *Harvard Business Review*, 90(11), 43-58.
- ⁶ Kanter profile. Retrieved from <http://www.hbs.edu/faculty/Pages/profile.aspx?facId=6486>
- ⁷ Kanter, R. M., Stein, B. A. and Jick, T. D. (1992) The Challenge of Organizational Change (New York: The Free Press).
- ⁸ Kanter, R. M. (2011). How great companies think differently. *Harvard Business Review*, 89(11), 66-78.
- ⁹ Kanter, R. M. (2008). Transforming giants. *Harvard Business Review*, 86(1), 43.
- ¹⁰ Kotter, J. P. (2012). ACCELERATE! (cover story). *Harvard Business Review*, 90(11), 43-58.
- ¹¹ Kanter, R. M. (2008). Transforming giants. *Harvard Business Review*, 86(1), 43-52.
- ¹² Bernoff, J., & Chadler, T. (2010). Empowered. (cover story). *Harvard Business Review*, 88(7), 94-101.

Additional suggested readings

Kanter (2011). How Great Companies Think Differently. *Harvard Business Review*. Retrieved from http://www.hks.harvard.edu/m-rcbg/fellows/N_Lovegrove_Study_Group/Session_1/Kanter_How_Great_Companies_Think_Differently.pdf

Abstract:

“Corporate leaders have long subscribed to the belief that the sole purpose of business is to make money. That narrow view, deeply embedded in the American capitalist system, molds the actions of most corporations, constraining them to focus on maximizing short-term profits and returns to shareholders at the expense of worker safety and health, the environment, and society in general. In this article, HBS professor Kanter argues that a very different logic informs the practices of most high-performing and sustainable companies: An institutional logic. These companies believe that they are more than moneymaking machines; they are a vehicle for advancing societal goals. They deliver more than just financial returns; they also build enduring institutions. At great companies, institutional logic takes its place alongside economic logic in research, analysis, and managerial decision making. Six facets of institutional logic—a common purpose, a long-term focus, emotional engagement, partnering with the public, innovation, and self-organization—radically alter leadership and corporate behavior and form the building blocks of a more sustainable competitive advantage.”

Adler, P., Heckscher, C., & Prusak, L. (2011). Building collaborative enterprise. *Harvard Business Review*, 89(7-8), 94.

Abstract:

“Can large companies be both innovative and efficient? Yes, argue Adler, of the University of Southern California; Heckscher, of Rutgers; and Prusak, an independent consultant. But they must develop new organizational capabilities that will create the atmosphere of trust that knowledge work requires—and the coordinating mechanisms to make it scalable. Specifically, such organizations must learn to: • Define a shared purpose that guides what people at all levels of the organization are trying to achieve together; • Cultivate an ethic of contribution in which the highest value is accorded to people who look beyond their specific roles and advance the common purpose; • Develop scalable procedures for coordinating people's efforts so that process-management activities become truly interdependent; and • Create an infrastructure in which individuals' spheres of influence overlap and collaboration is both valued and rewarded. These four goals may sound idealized, but the imperative to achieve them is practical, say the authors. Only the truly collaborative enterprises that can tap into everyone's ideas—in an organized way—will compete imaginatively, quickly, and cost-effectively enough to become the household names of this century.”

Cross, R., & Thomas, R. (2011). A smarter way to network. *Harvard business review*, 89(7-8), 149.

Abstract:

“The adage 'It's not what you know, it's who you know' is true. The right social network can have a huge impact on your success. But many people have misguided ideas about what makes a network strong: They believe the key is having a large circle filled with high-powered contacts. That's not the right approach, say Cross, of UVA's McIntire School of Commerce, and Thomas, of the Accenture Institute for High Performance. The authors, who have spent years researching how organizations can capitalize on employees' social networks, have seen that the happiest, highest-performing executives have a different kind of network: select but diverse, made up of high-quality relationships with people who come from varying spheres and from up and down the corporate ladder. Effective networks typically range in size from 12 to 18 people. They help managers learn, make decisions with less bias, and grow personally. Cross and Thomas have found that they include six critical kinds of connections: people who provide information, ideas, or expertise; formally and informally powerful people, who offer mentoring and political support; people who give developmental feedback; people who lend personal support; people who increase your sense of purpose or worth; and people who promote work/life balance. Moreover, the best kind of connections are 'energizers'—positive, trustworthy individuals who enjoy other people and always see opportunities, even in challenging situations. If your network doesn't look like this, you can follow a four-step process to improve it. You'll need to identify who your connections are and what they offer you, back away from redundant and energy draining connections, fill holes in your network with the right kind of people, and work to make the most of your contacts. Do this, and in due course, you'll have a network that steers the best opportunities, ideas, and talent your way.”