CHANGEABILITY

PROFILE

Dr. Michael Jarrett

Dr Michael Jarrett is one of Europe's leading experts on organizational change. He is an adjunct professor in Organisational Behaviour at London Business School and a founding partner of Ilyas Jarrett & Co, a research and management consulting firm that advises FTSE 100 companies on change management.

Previously, Michael was the Managing Director of the London office of Personnel Decisions International, a global HR consultancy where he was responsible for global client management, business development and European Market intelligence. He was also a Partner with the Alexander Corporation, a niche consultancy focusing on behavioural change and a Fellow of Cranfield School of Management.

He has worked with a variety of global clients including IBM, HSBC, Barclays, Swiss Re, WWP, Cap Gemini Ernst & Young and McKinsey & Co. The United Nations and Lloyds TSB are also clients. His main industry areas are financial and professional services firms, media and telecommunications.

Michael has a Doctorate in Organisational Behaviour from Cranfield University and a Masters in Economics from London University. His teaches, writes and has research interests in top management teams, strategic organisational learning and the difficulties of consulting to change management.

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SYNOPSIS

Changeability: Why some companies are ready for change and others aren't

Michael Jarrett draws on established research, case examples and his own wide consulting experience to illustrate that current models of step change are largely doomed to failure and proposes a new framework that aligns both the internal and external dynamics of change. In a refreshingly clear and practical approach, *Changeability* points to a new route to successful change which uses a balanced approach taking account of the four key levers of change.

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ABOUT CHANGEABILITY
In his new book, Changeability, Michael Jarrett examines the DNA of successful organizational change.

What was the genesis of the book?

Over the last twenty years I have been researching change and teaching classes throughout the world about change. *Changeability* brings all this work together. In all, we've examined 4,500 individuals in 255 organizations. These span 25 business sectors, and only a little more than one-quarter was based in the UK. We've taken our studies around the world, from Australia to Zimbabwe.

There are hundreds of books on change and yet organizations still struggle to make it happen. What goes wrong?

Sadly this is true. While every company changes to some extent, the important thing is whether a company achieves both positive and sufficient change for the market conditions in which it operates. More often that not, companies stumble. Sometimes very badly.

Whenever I hear of this happening, three obstacles come immediately to mind. A change initiative can trip over managerial factors, environmental conditions, or organizational issues. Naturally, many people first think of environmental conditions. This occurs when there are ecological and industry dynamics at play - as when IBM was stuck on selling mainframes to a world moving toward PCs. Anytime there's disruptive technology, or legislative changes, or new competitors (among other sweeping changes in one's business environment), such changes can catch a company unaware and impede even the very successful enterprise. The current financial crisis has really weeded out those poor at change.

So, how do leaders and organizations successfully bring about change?

Managers who achieve successful change do something different. They may not consciously know they are doing it, but they are doing it all the same. They are selecting an appropriate change strategy, one that matches their internal capabilities and their external challenges. My research shows that the best predictor of the success or failure of organizational change is *readiness for change.* Exploring what this means in practice lies at the heart of *Changeability.*

Readiness for change applies at the philosophical level - being open to and prepared to embrace change; but it also applies at the practical level. Readiness applies to those organizations that have developed a set of core dynamic and internal capabilities that allow them to adapt when faced by external demands. It is the precursor to those organizations that gain strategic agility. Basically, successful change is a function of how well an organization's internal capabilities - its management capacity, culture, processes, resources and people - match the requirements of its external environment, the marketplace.

And from this you have created a new equation to explain change.

Yes, if you want to succeed at introducing change, you need to understand that different situations demand different strategies of change. Simply put, you need to appreciate the change equation: *internal capabilities* + *external environment* + *strategic leadership* = *a change strategy or changeability.*

You talk about different types of external challenge. Can you explain what these are?

The first is a failure to keep up with changes in **disruptive technology**. For example, Polaroid's failure to respond to the threat of digital photography led directly to the company's decline. Failing to keep pace with changes in your industry can take you by surprise and lead to competitive advantage suddenly disappearing. Look at how IBM lost its advantage in its traditional hardware market. Even so, it is a positive role model for what can be achieved through change - witness its reinvention over the last decade from hardware to consulting.

Next there is reliance or **dependency on other organizations for crucial resources or assets**. Think of outsourcing: you can find yourself locked into particular situations and expectations in which who owns what and who is responsible may be impossible to establish. This happens more regularly than you might think. A rail company with which I worked had previous and long-standing investments that meant that the infrastructure was slow to respond to new demands in transport. The company couldn't do what it wanted.

A third factor is that **political and legislative demands** can leave you out in the cold. For example, deregulation in the US airline industry led to established companies such as TWA failing to survive. The Sarbanes-Oxley Act of 2002 increased industry concentration among the major US accounting firms. The credit crunch of 2008 has provided a veritable flotilla of political and legislative demands and interventions.

Organizations may also underestimate increasing competition from unexpected places. Many petrol stations now offer food, for example, and compete directly with small grocery shops. Microsoft developed the Xbox in part to stop Sony coming into its space through the back door of the online Sony PlayStation. Microsoft (with some
$60 billion in revenue) did the same in bidding for Yahoo against Google, a company that is considerably smaller (around $20 billion) but one that continues to be perceived as a strategic threat.

Finally, there is **environmental volatility, market and economic trends and other contingencies** to consider. I undertook a large consulting assignment for a Malaysian oil company at the end of 1995. The first two stages had gone well, and we were looking forward to the next phase that was to begin the following year. However, in just three weeks, between December 1995 and early 1996, the Malaysian ringgit spiralled downward, losing nearly 25 per cent of its value. Not surprisingly, the assignment came to an abrupt end.

Some people argue that the environment is everything. Individual firms have little or no control over their fortunes, and it is industry or economic shock waves that finally determine those parts of the market that survive and those that die. It happens to big players as well - AIG lost 90 per cent of its share value between April and October 2008. It cost the CEO his job.

These are just five of the innumerable external factors that can directly influence a change strategy. While no company or its leaders can alter, for example, the devaluation of a national currency, what's critical is for leaders to be aware of - *and be ready to compensate for* - such major external events. A ship that leaves port with no plan or provisions for a major storm is a doomed vessel.

Wise leaders plan appropriately for both *internal* and *external* factors that can influence a company's destiny. Thus, perhaps the first and most important thing that leaders must attune themselves to is to disavow, once and for all, the myth that change is simple to understand and can be managed by logical, incremental steps.

Is it possible for you to classify the kinds of people and organizations you encountered in your research?

Yes, we learnt that successful change organizations have sophisticated internal capabilities for change and have at least five critical factors. Together these lead to different responses.

The most easy to spot, in some ways, are the *change avoiders,* the people and companies so stuck in a rut that they can see no other way to behave. Or it might be that they are so comfortable, they see no reason to change. Such companies and their workforce are, by their own limitations, doomed.

Next are the *change analysers*. They cruise along taking note of change. They debate change. They study change. They discuss options. They think - and rethink - what they could and might do. Sometime. Such companies are not without their strengths. Analysers suffer from analysis paralysis.

And the third kind?

Change adapters - companies like Google - are the true change leaders. They combine an openness to change and a willingness to take prudent risks and to act. Such companies and their leadership team are typically strong across all five factors. But it's more than that, really. Such companies truly lead change; they *thrive* on change.

Change adapters are strategic learners; and by their healthy outlook and healthy response to change, they further strengthen themselves after each change challenge. They find they have grown in their capabilities because they have practised and adjusted to changes in the past. This gives them an ever deeper sense of confidence. And I should add that change adapters have an external focus and energy. They don't allow themselves to be so introspective that they can't see the forest or the trees; they're not too locked in on their own cosy status quo. The secret to implementing successful change is changeability.

***Changeability* by Michael Jarrett is published by FT Prentice Hall.**