

# The seven myths of change management

Michael Jarrett argues that while change may be constant the way we react to it should not be.

Managing change is difficult and the sad truth is that most “transformational” change initiatives fail. The reasons for this poor performance are that organisational “resistance” is grossly underestimated, “change agents” believe that change can be managed and these assumptions lead to faulty interventions. But if the dynamics of change cannot be predicted with certainty or

controlled, then the advocates of change must manage themselves in order to ride the crest of changes’ fortunes – for that is the only thing that can be managed.

Lou Gerstner, Sandy Weill and Jack Welch were both loved and envied by the corporate world. These were the smart companies and people that

were much quoted in the business press and management literature. IBM was haemorrhaging \$4.97bn in 1992 before Gerstner turned it around. Citicorp's Weill and his executive team successfully managed a complex integration of companies to become the global leader in financial services and the most profitable bank in history. GE's "Work Out" methodology became the mantra for change. These successes suggested that the alchemy of change was within easy reach.

However, the sad truth is that these corporate successes of transformational change are the exceptions rather than the rule. They have become the mythical purveyors of change and have unintentionally perpetuated a myth that change is "easy" providing you follow the recipe.

Experience with executives suggests these approaches do not work for most companies. Why? There appears to be a series of myths and half-truths about change that have become the basis of failed organisational interventions. Perhaps we need a different approach to understand change.

This article aims:

- to surface some of the implicit assumptions and myths about change
- to clarify and explain the differences between experience and the myths
- to provide some initial ideas about other interventions.

In using the term "change" in this article we are interested in strategic or "transformational" change as opposed to operational or incremental change. Thus, we are concerned with changes in strategy, culture, leadership and authority, structures and systems

The first myth to explode is that change always creates value.

### **Myth 1: Organisational change management creates value**

The ugly truth about organisational change is that it is exceedingly difficult. The research on change management does not make compelling reading.

Change is absolutely necessary in a shifting environment. We simply need to get better at it

In fact, in most cases of cultural and organisational change the expected benefits are not realised.

The academic literature suggests that as many as 70 per cent of change management programmes fail and that transformational change occurs only about 30 per cent of the time. A comparative study of change initiatives concluded that cultural and people factors were among the key determinants undermining change.

It is understandable why the myth persists. The slogan of change or die reflects the dynamic and changing environment that surrounds us. This is not to suggest that organisations should not change. Change is absolutely necessary in a shifting environment. We simply need to get better at it. However, it seems that "change" is just poorly understood, based on misinformed assumptions, poorly executed or all of these.

The rest of this article aims to explain why change fails. It draws on the theories of "punctuated equilibrium" and complexity as alternative approaches and focuses on three inter-related areas:

- the nature and purpose of resistance
- the implications regarding the assumptions of change management programmes
- the nature of interventions including the role of the proponents of change

### **Myth 2: Resistance can be overcome**

"Strategies for overcoming resistance" misunderstand its nature, purpose and depth. It remains latent in the form of inertia or, if confronted, resurfaces later.

The popular expression regarding the prospects for change is represented in management consulting by the "change equation". It suggests that change happens if  $Ch = f(D \times V \times P) > Co$ .

Change (Ch) takes place if the Dissatisfaction (D) with the status quo, multiplied by a Vision (V) of the future, multiplied by agreed Processes (P) that remove obstacles blocking access to the desired state is greater than the Cost (Co) of change. The multiplicative nature of the variables means that if any is zero then change will not occur. This thinking is informed by the work of Kurt Lewin (1958)

However, it seems that the popular explanation as to why change succeeds or fails has understated an important factor implicit in Lewin's work – the role of competing social dynamics and the forces of resistance. He refers to this as a state of "quasi-stationary equilibria", where resistance is the current state and to tackle it head on tends to create an immediate counterforce to maintain the equilibrium.

## The roots of resistance can be found in fear and survival

Thus the equation should be rewritten:  $Ch = f(D \times V \times P \times R) > Co$ , where R is resistance.

There are a number of implications if this additional dimension holds.

First, given the implied direction of resistance to be negative, it means that change is always operating with the brakes on. It is unlikely that resistance would be zero. Second, it also implies that “resistance” is part of the deep, embedded structure of the organisation. If you push, it will push back. Finally, we could reframe and understand the purpose of resistance as providing a useful function of continuity and equilibrium for the current state.

There is considerable discussion to suggest that the roots of resistance can be found in fear and survival and it operates at several levels to protect social systems from painful experiences of loss, distress, chaos and the emotions associated with change.

- *Personal defences.* Individuals set up personal ego and psychological defences to deny the reality of change and the pain that goes with it

- *Group conflicts.* The nature and dysfunctional dynamics of leadership groups, inter-group conflict and differences also prevent change
- *Organisational and political.* The management of different interests maintain the status quo and inertia
- *Institutional dynamics.* Networks of customers and markets make it difficult to do things differently and these can be traced back to history, context and environment.

The roots of resistance run deep. These essentially lead to inertia. Where change is tried then unintended consequences may also take place. Thus, resistance first needs to be understood and reinterpreted. It is the “shadow” side of the organisation that cannot be ignored nor easily overcome. Misunderstanding this basic tenet leads to flawed change initiatives.

The box below provides a vivid flavour of the embedded nature of resistance

Dominant theories of change are based on rational and linear models of thinking. There are a number of implicit assumptions that appear to go hand in hand with “constructivist rational” that confound success. Challenging these can help to explain some of the variance between expectations and experience. In particular, we need to look at three further beliefs and propose a different paradigm to understand change.

These are:  
change is constant  
change can be managed  
the “change agent” knows best

### British Airways – the Bob Ayling years

In 1996, when Bob Ayling was appointed chief executive of British Airways, the company announced pre-tax profits of £474m. Nevertheless, BA was losing business to other airlines. One of the strategies Ayling implemented was the intention to cut costs by £1bn within three years.

There was considerable “resistance” by fellow executives, the organisation and the contextual and institutional relations, including customers. And management became embroiled in two disputes in 1997.

The first was in an attempt to restructure the pay system and overtime allowances of cabin staff. The second was with the catering staff when Ayling tried promoting the idea of the “virtual” airline – employing the minimum number of staff to reduce overheads.

In both of these disputes the management took a tough and confrontational stance. There were warnings of dismissal, loss of promotion and the withdrawal of benefits. An unintended consequence was that these tactics turned moderate staff against management.

In July 1997, 300 cabin crew went on strike for three days and another 2,000 went on sick leave (approximately four times higher than normal for that period) causing longer-term disruptions. The cost of the strike was estimated at £125m.

BA’s shares consistently underperformed the market and in 2000 it suffered a loss of approx. £200m. Ayling resigned in March 2000. (Sources: BBC News on-line, IRRU, Warwick Business School)

### Myth 3: Change is constant

“Change is constant” is a cry often heard within organisations. The subjective reality is not to be denied. However, this claim can be reframed in a number of ways.

First, it is helpful to distinguish between transformational change as it is defined in this article and incremental change/continuous improvement. Thus, while there may be constant noise in the background due to incremental change or fine-tuning, it should not be confused with “transformational change”. As a senior manager of a UK development agency put it: “Yes, I can see the difference between the ‘big push’ at the beginning and then the constant settling in and smaller initiatives”.

Second, empirically, studies suggest that large-scale change within organisations tends, on average, to be low and take place infrequently. Far from constant, change is infrequent.

Finally, the theory of “punctuated equilibrium” also helps understand this apparent difference between experience and reality. It suggests that systems evolve through the alternation of periods of equilibrium and periods of revolution. The deep structures discussed above provide relatively long periods of stability (equilibrium) but are punctuated by compact periods of radical change. Thus, organisational systems can accommodate the gradual addition of stress in small incremental change until a certain threshold is crossed, after which a catastrophic reordering takes place

Studies by Tushman & Romanelli (1985) and Romanelli & Tushman (1994) strongly suggest that:

- change does seem to systematically follow the dynamics presented by punctuated equilibrium where there are long periods of stability interrupted by rapid and relatively shorter periods of change that lead to strategic reorientations and change in culture and leadership
- transformational change is rapid and large and the corollary suggests that change by a series of incremental steps is less likely to happen
- these changes tend to be also associated with changes in the external environment (impacts on a secondary effect of poor performance) and the intentions of the senior executives.

This perspective on change is further helpful as it helps to explain the role and purpose of resistance. It describes “resistance” as a network of “deep structures” of organisational culture, leadership and organisation. These provide continuity and stability to the system, which can then tolerate incremental change.

In addition, punctuated equilibrium suggests that far from change being constant, it is more a protracted series of discontinuous leaps with the dynamics driven by factors outside of the change process and that timing is critically important.

Thus, successful change is time dependent and context driven, though it has been argued that these variables are rarely featured in our models of change and represent a gap in our understanding of organisational change.

In addition, “change” is rare but often traumatic as it takes people out of their “comfort zone” and can lead them into defensive strategies as an attempt to manage it, which in turn reinforces the dilemma.

### Myth 4: Change can be managed

The theory of punctuated equilibrium also forces us to rethink our assumptions on “change management”. Original concepts of planned change management and its assumptions were based on linear, rationalistic thinking, humanistic ideals and equilibrium conditions. These provided useful tools at the time but implied that change could be managed. For example, strategies discussed by Warren Bennis and others in 1985 in their review of planned change start with these assumptions.

The theory of punctuated equilibrium implies that the rapid development of change and its divergent antecedents means that change is not something that can be managed with certainty. Outcomes can be both divergent and unexpected. This shares many of the principles of complexity theory, which captures the core tension most organisations or social systems in disequilibrium face seeking stability. However, without periods of instability, inertia and complacency may leave them as victims unable to adapt when the environment changes.

Complex adaptive systems surf on the edge of chaos when provoked by a complex task. Organisations and other social and complex systems experience the same journey. These outcomes are a feature of the rapid span within which change takes place. But they are also informed by the reworking of the “deep” and “embedded” structure as power and authority relations are renegotiated and institutional and organisational dynamics play a part.

The proponents of change can stimulate the change or even steer through it. But it cannot be managed.

### Myth 5: The change agent knows best

It is a fair assumption that most agents of change are well intentioned. However, the assumptions

that inform traditional approaches of change present difficulties – both externally and internally. It follows that where outcomes are both uncontrollable and unpredictable, then it difficult for the proponent of change to know best.

Complexity theory suggests that during periods of “bounded chaos” emergent processes take place, leading to self-organising sub-systems influencing the final outcome of change. We see these self-organising systems in the BA case (see box page 24).

Thus, contrary to the change agent knowing best it is the informal systems that channel the energy, or wind of change, for good or for ill.

Second, the change agent is also hampered by a lack of awareness of his or her own internal resistance. The recipe model of change provides familiarity and a secure base for the consultant/agent but it is also a trap. It can stop thinking, creativity and managing the unknown elements of change that are mediated through multiple agents and institutional dynamics. Their “knowing” can reinforce the resistance and undermine the very change they aim to release.

Thus, the change agent is unable to direct the system; they can only disturb it. They can become a catalyst but the system works out the result. They have to become skilled sailors where the wind is determined and they have to work with it.

The proponents of change must accept that they are not omniscient. They have to “let a thousand flowers bloom” through the facilitation and support of self-organising systems. This means both a different role for proponents of change and the intervention strategies they employ.

If the assumptions about change management are dubious, then so must be the interventions that follow. The final two myths are comments about the implications for interventions for successful organisational change.

### Myth 6: Accepted wisdom is to follow the steps

The change management literature tends to be characterised by normative principles on how to make change happen. These will often have a variety of key steps for success. The most influential of these is John Kotter, who suggests that there are eight steps to change. Other writers in this tradition also identify a series of often-iterative steps that change requires.

#### The Six Pack Model

Figure 1 distils these essential ingredients for successful change management:

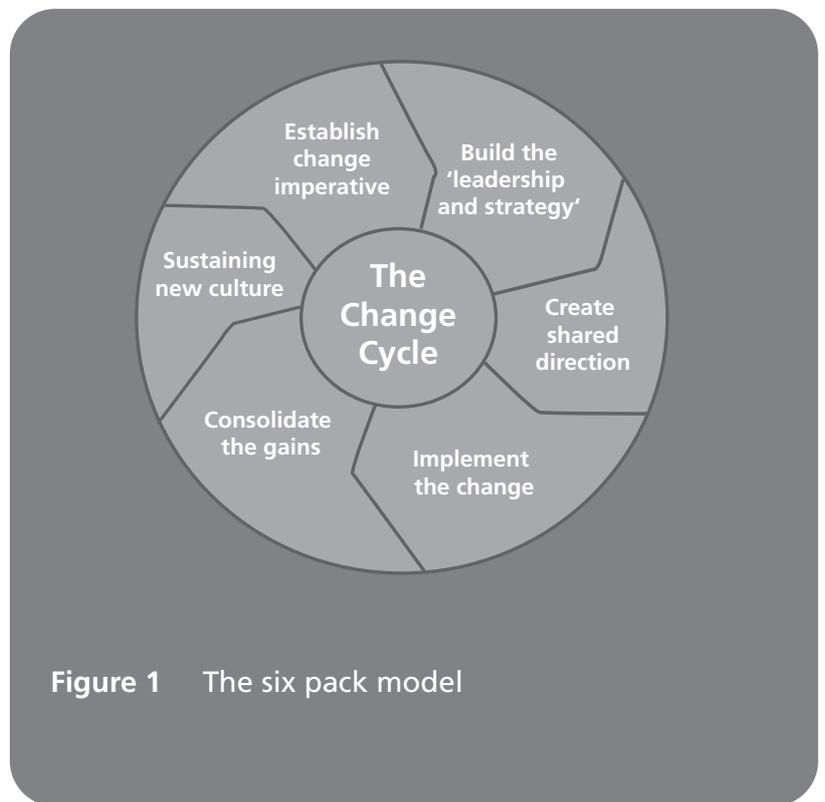


Figure 1 The six pack model

- create the change imperative or sense of urgency
- agree strategic leadership
- create a sense of shared direction – both about the what and the how
- implement the changes
- score some early victories
- sustain the game for culture change

This model has great appeal. I have used it in my executive classes and with clients as it provides a framework for understanding the change process. However, executives and clients often had different experiences that were not fully accounted for in this approach. Transformational

change is an iterative and dynamic process. As one executive from a retail bank put it: “It’s an imperfect jigsaw rather than a series of steps”.

This notion that managing change is not a series of predictable steps concurs with the propositions in this article. The actual process of change is rapid and great. Thus, making a difference through manageable steps does not always follow and it is considerably more messy, uncertain and chaotic.

This requires us to rethink the dynamics of change, managing these different elements or levers of change more interactively and making quick judgements during its rapid phase rather than using a magic recipe that bears no relationship to the timing or environment. Thus, it is not that the components of change are wrong; it is more the relationship between them. They are more interactive with each other all of the time rather

than in a serial, linear fashion. We need to jump outside the straightjacket of this thinking.

Thus, the model of change is a dynamic, interactive flow of key elements that is driven by context and time-dependent factors. It is supplemented internally by self-organising sub-systems and the intentionality of the leadership. But the outcome is unpredictable. It is more like sailing a racing yacht and using the winds and waves of change; you have to tack, take cover, anchor and even change course to realise your intentions. This is in sharp contrast to the ocean liner that takes several miles just to stop let alone turn around. The “step-wise” model does not match the rapidly changing and chaotic dynamics of change where a more flexible and resilient approach is required.

### Myth 7: Big changes require big changes

Transformational programmes were once introduced as huge events. Mercury, BA when privatised and Whitbread were among those that launched such programmes in the 1980s and 1990s. However, such changes can become ritualised – lacking meaning and content.

One of the contradictions about the dynamics of change is that little things can produce great outcomes. In change management it was once known as identifying the “critical mass” for change: the minority of people who were willing and able to influence and implement the changes, thus causing a cascade effect. Malcom Gladwell has described it more forcefully as the “tipping point”. He demonstrates using several cases ranging from the revival of Hush

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Puppy shoes to stemming crime in New York how small interventions can create huge impact. Three factors are identified as common:

- the context of contagiousness, where the timing, environment or seeds of a good idea are just ripe for the moment and they spread – almost like a virus, to infect others; by the 1990s New York was ready for an anti-crime drive
- little causes can have big effects – the snowball effect of text messaging took the telecom operators by surprise and created an unexpected new market
- these changes take place in a dramatic moment and thus things happen very quickly.

Complexity theory mirrors these ideas and they are consistent with the timing, context and rapidity of change discussed earlier.

Thus, in stimulating change, you do not need to change everything all at once nor on a big scale. It does, however, take a little thought, co-ordination and judgement. It is like pulling the mainsheet and jib when tacking to a change in the wind.

## Transformation at Shell

Richard Pascale graphically describes the role of the catalyst in a major oil company.

In 1996, Steve Miller of Shell joined the Committee of Managing Directors. Miller was responsible for Shell’s Worldwide Oil Products and it was a time when this cumbersome company of \$130bn annual revenues and 101,000 people across 130 nations was stuck in complacency.

Attempts to “transform” the organisation through a number of well-tried, often-used initiatives – including a traumatic restructuring exercise – had not impressed analysts or a cynical staff. Miller took a different approach and sought to be the catalyst

of change. First, he allocated over 50 per cent of his time to work directly with his frontline staff. He aimed to cut through the old bureaucracies and work directly with the informal system. Miller also recognised that the transformation programme was bogged down because of an impasse between headquarters and the operating country companies.

He created multiple initiatives, new conversations and a sense of urgency. He argued that it worked because the people in the field knew what was needed and with the support to take initiative galvanised the informal network.. The results by the end of 1997 represented an improvement.

Here are some examples of playing the elements of change.

- ***Infect a sense of urgency by identifying the “critical number”***

Sir Brian Pitman of Lloyds-TSB talked of doubling shareholder value every three years. It provided a rallying point, helped the two banks to go forward on a common agenda and created the energy for change. The sense of intentionality and reasons to give up those zones of deep structure and comfort are both present in this scenario. Without them, we wait for time and changes in the environment like a ship without a rudder.

- ***Develop the strategic coalition***

It is critical that the top management group is aligned on the changes. These are the minimum boundary conditions for change. The outcome can be disaster if they are not met. A global financial service business group saw its cross-market opportunities slip away as the top team could not agree to work their business units together and thus lost many of the advantages of their own internal convergence.

- ***Create the shared direction***

Use communication, communication, communication. When two national retail organisations merged they had to harmonise compensation and benefits. The result was that most employees received enhanced conditions up to 10 per cent of salary. If I gave you a cheque for 10 per cent of your salary, would you be pleased? Not in this nearly merged company. When questioned about it they replied: “Even the way the pay rise was communicated was a shambles. I blame those people at the top”. Good news that is poorly communicated can damage a change programme very quickly.

- ***Implement small things quickly***

Test the boundary conditions and gain quick wins. Start small and focus. Implementing a new sales process is best tested in one geography or product category first so that the lessons can be distilled and shared. It also lowers the risk.

- ***Reward the right behaviours***

A once famous UK engineering company, spent considerable energy, time and money getting teams to work better. They had names like Alpha, Omega and the like to engender the edge of a high-performance team. However, the initiative unexpectedly ran aground. Deeper analysis identified that they continued to reward people on their individual performance and so the rewards did not match the behaviours they desired.

- ***Cultivate and embed the new changes***

After a highly charged period of rapid change,

the new embedded structures sit with the old. This is the period of renewed equilibrium, of incremental and fine tuning changes.

These elements are constantly interacting and being directed by the intentionality of the people advocating change and their personal mastery. The latter means the ability to manage the only real factor under their control, themselves.

## **The challenge of change requires a paradigm shift**

This article has argued that one of the reasons that help explain the failure of most organisational change initiatives is that they are based on a number of prevailing myths and assumptions about its nature. These are constructed on rationalist ideas that lead to linear or tunnel thinking as well as a series of planned interventions.

It proposes a paradigm shift in thinking about change that draws upon the theory of punctuated equilibrium and complexity. These provide additional insights and implications for the role and interventions of change advocates.

It challenges the myths of change and suggests some initial propositions for further study.

- Change is misunderstood and thus the value it can create is lost. The dynamics of transformational change are better understood using systemic thinking and theories of complexity and disequilibrium rather than convergent rationalist models in a rapidly changing environment.
- Resistance is embedded into the deep structure of organisations at several levels. It provides continuity and stability but also inertia. It cannot be pushed; otherwise defensive routines will be re-mobilised.
- Transformation is infrequent but rapid, leading to traumatic change as most resist or at best remain unprepared. This short review suggests that change depends more on timing, the environment and the advocacy of the CEO. Thus, watching the winds of change through environmental scanning, influence and understanding timing are all critical capabilities for change advocates.
- Change cannot be managed. It may be possible to stimulate, steer or tack with the winds of change. Change advocates need to have personal mastery and emotional intelligence in order to manage the uncertainty, flexibility and resilience that it requires.
- Change advocates need to be able to work with uncertainty and “not knowing”. They appear to

work effectively when they are able to tap the informal and self-organising sub-systems as the real levers for change.

- The elements of change form a framework of constant adjustment, flexibility and alertness that needs to be applied in the micro-moments of rapid change.
- Big pushes can increase resistance. Small interventions can lead to large impacts.

It also seems to suggest that in order to seize the full potential of change, leaders and change advocates need to be attuned to emergent and opportunistic strategies since they may precede change.

The implications for engaging with change are that leaders and change advocates have to have emotional resilience and personal mastery. Their actions may appear as counter-intuitive using this different paradigm and it also suggest that in some instances waiting and doing nothing may also be useful, as it accepts that one cannot always work alone against the tide.

### Learning is change

In conclusion, this approach to understanding transformational change of complex adaptive systems helps to critically review current assumptions as well as rethink and reorder some basic strategies. It appears that change programmes need a different set of working assumptions and that they need to be sensitive to timing, the environment and the dynamics of leadership.

It also leads to the uncomfortable but not surprising conclusion that much of the transformational agenda is often outside organisational control. However, the important factor that effects successful transitions is how it is dealt with internally – and that appears to make a difference.

This article also offers some tentative propositions for change-advocacy that need further discussion, systematic research and more rigorous testing. However, there is one point many will agree and that is that there will always be change of this order and being unable to respond will lead to atrophy.

There is no silver bullet to successfully managing change. Perhaps one way we can think about change programmes is that they build internal capability for organisational learning and further change, so that during the “pause” they can take advantage of the next opportunity. Too often, though, it seems as if organisations are too traumatised to take the lessons from the last

## There is no silver bullet to successfully managing change

change. However, they need to stop, reflect and start to make sense of their experience rather than be drawn by the tendency to act out defensive routines that naturally occur when you disturb long-standing embedded structures of organisations. ■

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