Chapter 11

Sustaining Change versus Initiative Decay

Learning objectives

By the end of this chapter you should be able to:

- **LO 11.1** Understand the causes of initiative decay—threats to the sustainability of change.
- **LO 11.2** Distinguish between change initiatives that are "blameworthy," and should not be sustained, and those that are "praiseworthy."
- **LO 11.3** Identify and apply actions that can contribute to the sustainability of change.
- **LO 11.4** Understand the pitfalls that can arise when seeking to sustain change.

"We're ready to begin the next phase of keeping things exactly the way they are."

Peter C. Vey The New Yorker Collection/The Cartoon Bank

11.1 Initiative Decay and Improvement Evaporation

Your reorganization was implemented successfully. Significant benefits were achieved. Revisiting the initiative some months later, however, you find that the new working practices and increased performance levels appear not to have been maintained. Things have gone back to where they were before you started. How did this happen? Unfortunately, this is a common story. Even successful initiatives can decay, leading to "the improvement evaporation effect" as the gains are lost.

For many organizations, it is a strategic imperative to embed, to have "stickability," to maintain changes and their contribution to performance. This chapter focuses on the problems of sustaining change and on the practical steps that can be taken to increase the probability that changes once implemented will endure, that they will become institutionalized and regarded as normal practice. This is not a new problem, having been famously identified by Kurt Lewin (1951) as the need to "refreeze" behavior once change has taken place. The attention of practicing managers and academic researchers has focused on the first two stages of his model, "unfreezing" and "moving." The problems of refreezing, or sustaining change, are less well understood. There may be a widespread assumption that, if changes have been successful, they will automatically be sustained. That assumption, however, appears often to be incorrect. Paradoxically, for the change manager, sustaining changes may in some instances present a more difficult challenge than implementing them in the first place.

Sustainability implies that new working methods and performance levels are maintained for an appropriate period, or that new practices and processes are routinized until they become obsolete. What are the causes of initiative decay? What steps can be taken to increase the probability that changes will be sustained and become embedded in the organization as routine practice? As we have explored in other chapters, what is considered to be achievable with regard to sustaining change depends on how managing change is understood. The views of sustainability from each image of change management are summarized in table 11.1.

TABLE 11.1
Images of Managing and Sustaining Change

Image	View of Sustainability
Director	It is the responsibility of the change manager to design the change process and direct others to comply, to ensure that planned objectives are achieved.
Navigator	The change manager designs the change process to fit the context, recognizing that modifications will be required and that the outcome may not be as intended.
Caretaker	Change outcomes will be determined primarily by contextual factors, and not by management intervention.
Coach	The change manager's main role is to help others to develop the capabilities necessary to achieve the intended outcomes of the change.
Interpreter	The change manager develops understanding of the meaning and significance of the changes and what will count as successful outcomes.
Nurturer	Change outcomes are in constant flux, and are largely beyond management control.

Momentum Busters

Robert Reisner (2002) examines the U.S. Postal Service, which, during the 1990s, "transformed itself from the butt of sitcom jokes into a profitable and efficient enterprise" (p. 45). By 2001, however, morale and performance were low, and losses were predicted. Why was the transformation not sustained? Reisner (vice president for strategic planning) blames three "momentum busters": the indifference of senior managers, who regarded some aspects of strategy as a "distraction"; resistance from trade unions, whose role and voice had been marginalized; and inability to steer funding through a budget process that favored traditional initiatives over innovations. Innovation was also stifled by governance constraints. What one competitor, UPS, achieved, the Postal Service could not have initiated without a prior hearing process before the Postal Rate Commission, and major structural changes would have required congressional sanction. The situation was exacerbated by a weak economy, problems with e-commerce, and terrorist assaults on the American postal service.

Reisner's (2002, p. 52) conclusion is optimistic: "Despite the limits to any transformation effort, accomplishing meaningful change in even the largest, most complex, and tradition-bound of organizations is achievable." However, the leadership, organizational, and contextual causes of initiative decay need to be addressed in order to sustain these changes (Buchanan et al., 2005).

We have to recognize that management may have no direct control over many of the factors that can jeopardize the sustainability of change. That does not mean, however, that it is not possible to anticipate and to counter those factors in some manner.

For changes to "stick," they must "seep into the bloodstream," become "the new norm," "baked into the organization" or, as Kotter (2007, p. 103) observes, accepted as "the way we do things around here." That is, it must become an integral part of the organizational culture, or what has also been described as the "mind-set" of the organization's members (Lawson and Price, 2003). This means that new structures, processes, and working practices are no longer seen as "change," with all the emotional, political, and operational connotations that accompany that term. Unless this happens, change may prove to be just a passing diversion, a temporary disruption. However, as we explored in chapter 5, culture change is not a straightforward process. As Lou Gerstner (2002, pp. 182 and 187) once said, referring to his leadership of the successful transformation of IBM:

> I came to see, in my time at IBM, that culture isn't just one aspect of the game—it is the game. Vision, strategy, marketing, financial management—any management system, in fact—can set you on the right path and can carry you for a while. But no enterprise—whether in business, government, education, health care, or any area of human endeavor—will succeed over the long haul if those elements aren't part of the DNA. . . .
>
> What you can do is create the conditions for transformation. You can provide incentives. You can define the marketplace realities and goals. But then you have to trust. In fact, in the end, management doesn't change culture. Management invites the workforce itself to change the culture.

What are the main threats to the sustainability of change? David Buchanan et al. (2007) identify the "top ten" factors that can lead to initiative decay:

1. *The initiators and drivers move on.* Managers who have been successful at implementing change may be more interested in moving on to the next change challenge than in staying around for a period of relative stability. In addition, experienced and successful change agents may be sought by other divisions or organizations, which have other novel change agendas to progress. It can be difficult to turn down promotion opportunities such as these.
2. *Accountability for development has become diffuse.* The responsibility for driving change is normally (but not always) clear, with formal change or project management roles, often accompanied by steering groups, task forces, and implementation teams. Once the changes are in place and operational, those individuals and groups return to their normal roles. There are change managers, but organizations tend not to appoint "sustainability managers." Just who is accountable for ensuring that the changes are now embedded, that they become the new norm, is often unclear.
3. *Knowledge and experience with new practice are lost through staff turnover.* Change initiatives that involve new skills and knowledge are usually supported by staff training and development programs. Everyone who is going to be affected will be invited to attend these programs, creating a "critical mass" of participants for training sessions. However, as individuals subsequently leave and are replaced, it may be difficult to repeat those development sessions for small numbers of participants. The knowledge that is lost when staff leave is therefore not replaced.
4. *Old habits are imported with recruits from less dynamic organizations.* Linked to factor 3, new recruits bring with them habits and working practices from previous employers. Once again, they are unlikely to be offered retraining, but instead expected to learn new practices "on the job," by observation. The likelihood of initiative decay thus increases with the numbers of new recruits.
5. *The issues and pressures that triggered the initiative are no longer visible.* As we discussed in chapter 3, organizations usually change in response to a combination of internal problems, external environmental challenges, and new opportunities. Those triggers, however, may not be durable; the problems are solved, the challenges are addressed, the opportunities are developed. The rationale for change can thus fade with the triggers, and again lead to initiative decay.
6. *New managers want to drive their own agendas.* For personal satisfaction, visibility, and reputation, newly appointed managers often want to appear to be innovative and energetic, and to "make a mark" on their new organization. This means enhancing their careers by designing and implementing their own change initiatives. Continuing with work that was started by others is less interesting and satisfying, and could limit one's promotion prospects.
7. *Powerful stakeholders are using counter-implementation tactics to block progress.* Successful implementation does not always silence the powerbrokers. They may remain in post, and if they did not welcome the changes, they may wait for opportunities to undermine the changes. This becomes easier if factor 1 applies; the initiators are no longer there to protect their changes.
8. *The pump-priming funding runs out.* Many changes are allocated additional funding in order to support the implementation costs. This can include the temporary appointment of specialist staff or external consultants, and the cost of training programs to provide new skills and knowledge. As those resources are consumed, and the

temporary appointments and the training come to an end, support for the changes is weakened, and initiative decay becomes more likely.

9. *Other priorities come on stream, diverting attention and resources.* Most organizations today do not suffer a shortage of internal and external pressures for change. As other urgent problems and opportunities arise, the focus inevitably shifts away from past pressures and the changes that those prompted. If those past problems have indeed been addressed, then it may be appropriate for attention and resources to move to more urgent issues. However, this will generate problems if the shift in focus to new priorities simply recreates the situation that past changes were implemented to address.
10. *Staff at all levels suffer initiative fatigue, enthusiasm for change falters.* The experience, or the perception, of "too much change," successful or not, can threaten sustainability by generating a desire to "get back to normal." Initiative decay can result when management do not pay attention to the pace and timing of the changes that staff are expected to deal with, and generate burnout and initiative fatigue by attempting to drive too many changes too rapidly (Abrahamson, 2004).

Initiative decay can be caused by many factors, at different levels of analysis. Several of those factors may be operating in a given context at any one time. In the absence of proactive management steps to address those factors, initiative decay, and not sustained change, may be the norm.

LO 11.2 Praiseworthy and Blameworthy Failures

The failure of an intended change is not always a problem that needs to be solved. A change can fail because it was inappropriate for some reason. Mitchell Marks and Robert Shaw (1995) argue that "productive failure" is valuable, if an organization has the capacity to add the learning from such experiences to its store of knowledge rather than to conduct a witch hunt to find who to blame. A learning organization treats occasional failure as natural and as an opportunity to develop better understanding and to improve future performance. Marks and Shaw also argue that an organization may gain more in the long term from a productive failure than from an "unproductive success"—a change that has gone well, but nobody quite knows why: "We must be doing something right."

Some changes, if they do not meet their intended goals, must therefore be allowed to decay. Most organizations, however, do treat such "failures" harshly. Those who were responsible may even be punished in some manner, and perhaps find that their career opportunities have become more limited. In chapter 3, we discussed the work of Amy Edmondson (2011, p. 50), who describes a spectrum of reasons for failure (table 11.2), from blameworthy at one extreme, to praiseworthy at the other. Not all of these failure modes concern change, but those that do are more likely to be praiseworthy.

Most managers, Edmondson argues, do not distinguish blameworthy from praiseworthy failures, treating them all equally. This is not helpful, and is potentially wasteful:

> When I ask executives to consider this spectrum and then to estimate how many of the failures in their organization are truly blameworthy, their answers are usually in single digits—perhaps 2% to 5%. But when I ask how many are *treated* as blameworthy, they say (after a pause or a laugh) 70% to 90%. The unfortunate consequence is that many failures go unreported and their lessons are lost. (Edmondson, 2011, p. 50)

Productive Failure at McDonald's

In 2001, McDonald's opened two four-star Golden Arch hotels in Switzerland. They were distinctive, with a 24-hour McDonald's restaurant attached, and rooms with a patented curved wall, arch-shaped headboards, and a cylindrical, see-through shower (that was partially in the bedroom). The idea had been proposed by the McDonald's Switzerland chairman, Urs Hammer, in response to a push from the parent company for diversification and new ideas.

The hotels were not a financial success. There were problems with the interior design (lack of privacy in the shower) and the phrase "golden arches" is not associated with McDonald's in German-speaking countries (it also didn't help that "arch," when pronounced by German speakers, sounded like a vulgar German word for posterior). Also, and more importantly, although the restaurant venture made use of many of the company's core competencies in areas such as franchising and real estate management, the McDonald's brand simply didn't work when applied to a four-star hotel.

However, international marketing professor Stefan Michel (2007) argues that the decision by McDonald's to pilot this initiative was not as bizarre as it seemed. For example: (1) diversifying into hotels gave McDonald's a chance to test the multibillion-dollar restaurant industry; (2) it required what was a relatively small investment for McDonald's; (3) the damage to the McDonald's brand was limited through the use of the name Golden Arches, and restricting the experiment to Switzerland; and (4) the losses on real estate and operations were insignificant in relation to the overall McDonald's business. Most significantly, the venture was a statement of support for entrepreneurial ideas within the company, and the outcome was treated as an important, and relatively inexpensive, learning experience (based on Michel, 2007).

TABLE 11.2
A Spectrum of Reasons for Failure

Reason	Description
Deviance	An individual chooses to violate a prescribed process or practice.
Inattention	An individual inadvertently deviates from specifications.
Lack of ability	An individual doesn't have the skills, conditions, or training to execute a job.
Process inadequacy	A competent individual adheres to a prescribed but faulty or incomplete process.
Task challenge	An individual faces a task too difficult to be executed reliably every time.
Process complexity	A process composed of many elements breaks down when it encounters novel interactions.
Uncertainty	A lack of clarity about future events causes people to take seemingly reasonable actions that produce undesired results.
Hypothesis testing	An experiment conducted to prove that an idea or a design will succeed fails.
Exploratory testing	An experiment conducted to expand knowledge and investigate a possibility leads to an undesired result.

blameworthy ↑ ↓ *praiseworthy*

Changes that fail can therefore be valuable, discouraging further experiments of that kind and revealing what adjustments may be necessary in order to make the next attempt successful. To build such a learning culture, experimentation should be encouraged, and failures (including near misses) need to be detected and subjected to an analysis that

looks beyond the obvious. It is also necessary to avoid making the "fundamental attribution error," which means blaming individuals and ignoring the context in which they were working (Ross, 1977).

Based on experience at a children's hospital in Minnesota, Edmondson (2011, pp. 52–53) describes five practices for building a "psychologically safe environment" in which to learn from failures:

1. *Frame the work accurately*. People need a shared understanding of the kinds of failures that can be expected to occur in a given work context (routine production, complex operations, or innovation) and why openness and collaboration are important for surfacing and learning from them. Accurate framing detoxifies failure.
2. *Embrace messengers*. Those who come forward with bad news, questions, concerns, or mistakes should be rewarded rather than shot. Celebrate the value of the news first and then figure out how to fix the failure and learn from it.
3. *Acknowledge limits*. Being open about what you don't know, mistakes you've made, and what you can't get done alone will encourage others to do the same.
4. *Invite participation*. Ask for observations and ideas and create opportunities for people to detect and analyze failures and promote intelligent experiments. Inviting participation helps defuse resistance and defensiveness.
5. *Set boundaries and hold people accountable*. Paradoxically, people feel psychologically safer when leaders are clear about what acts are blameworthy. And there must be consequences. But if someone is punished or fired, tell those directly and indirectly affected what happened and why it warranted blame.

Will adopting such a "soft" and "understanding" management approach to failures make staff more careless, and encourage more mistakes? Edmondson (2011, p. 55) argues

Sustaining Successful Change Means Permanently Changing Mindsets

Emily Lawson and Colin Price (2003) argue that the success and sustainability of change relies on people thinking differently about their jobs, and not just on persuading them to change the way they work. This is particularly the case with fundamental changes to organization culture, for example, from reactive to proactive, from hierarchical to collegial, from introspective to externally focused. There are four conditions for the necessary change in mindsets.

First, those who are affected by a change need to understand the purpose, and agree with it. There is no point in management telling people that things must be done differently: "Anyone leading a major change program must take time to think through its 'story'—what makes it worth undertaking—and to explain that story to all of the people involved in making change happen, so that their contributions make sense to them as individuals" (p. 33).

Second, reward and recognition systems need to be consistent with the new behaviors. Third, staff must have the necessary skills, and be given time to absorb new information, to link that to existing knowledge and to apply it effectively in practice.

And finally, "they must see people they respect modelling it actively" (p. 32). We all tend to model our behavior on "significant others" and especially those in influential positions. Management at all levels thus become role models, and must "walk the walk" if mindsets are to change (p. 35).

that a failure to encourage experimentation, combined with a failure to learn from the inevitable mistakes, poses greater risks to organizational change and effectiveness. Change initiatives that do not work cannot be sustained. However, if management want to sustain the generation of further new ideas for change, then those who develop praiseworthy failures should be recognized and rewarded, and not blamed and punished.

11.3 Actions to Sustain Change

What actions will increase the probability that change will be sustained? No specific set of steps can guarantee success, but awareness of the threats to sustainability can lead to timely and effective responses. Action to secure sustainability is often identified as the final point in the "change recipes" that we discussed in chapter 10. For example, "institutionalize new approaches" is step 8 in John Kotter's (2007) eight-step model of transformational change. However, sustainability depends not just on what happens after implementation, but also on the cumulative effects of decisions and actions during the change process. In other words, it is more effective to plan for sustainability from the beginning than to regard this as an issue that can be left until a later stage.

Here are eight sets of actions that should be considered when designing a change initiative, in order to build sustainability into the process from the beginning, or at least from an early stage.

Busting the Momentum Busters

Reflecting on his experience of the "momentum busters" that derailed transformational change in the U.S. Postal Service, Robert Reisner (2002, pp. 51–52) identifies "four hard lessons" for organizations undertaking a major change initiative in a turbulent economic environment:

1. *Don't miss your moment*
   We missed numerous market opportunities that competitors such as UPS seized. Furthermore, we let pass at least two chances to capitalize on high morale and momentum within the Postal Service, moments that provided the best opportunity to overcome organizational resistance to change
2. *Connect change initiatives to your core business*
   Most of the innovative programs we launched to boost revenue existed at the fringes of our business. And we never established a path for them to migrate to the heart of our operations.
3. *Don't mistake incremental improvements for strategic transformation*
   [O]ur tremendous success in improving delivery times, which we enthusiastically celebrated, blinded us to the need for strategic change. For a time, we slipped into complacency, ignoring our competition and challenges and declaring ourselves the winner in a race with ourselves.
4. *Be realistic about your limits and the pace of change*
   [I]n a change initiative, it is important to identify which obstacles are in your control and which aren't. Some of what we wanted to do may simply not have been possible, at least at the time. . . . While some of our constraints—our regulatory framework, if not our very size and complexity—are specific to us, every organization has limits of one kind or another. It may seem heretical to say so in the can-do environment of American business, but sometimes you need to accept those limits. A failure to acknowledge that you sometimes *can't* do certain things can breed discouragement and cynicism, ultimately undermining those change initiatives that are achievable.

Redesign Roles

Organizational change, particularly where new structures, processes, and technologies are involved, often leads to the redesign of existing roles and to the creation of new ones. However, these role changes may be a critical dimension of the process, and not just a product of change. Michael Beer et al. (1990) argue that most change programs do not work because they focus on attempts to change attitudes and beliefs by introducing new perspectives. The assumption that underpins this approach, that changes in behavior will follow changes in attitudes, is in their view fundamentally flawed. The causal arrow, they suggest, runs in the opposite direction. Behavior is influenced by the context in which people find themselves—by their responsibilities, relationships, and roles. In short, first redesign roles, which require new behaviors, and attitude change will then follow. It is difficult to revert to past behavior with a new formal role definition, which is one of a network of similarly redesigned roles. Sustainability is not guaranteed by this approach, but it is significantly encouraged.

Redesign Reward Systems

Beer and Nohria (2000, p. 267) also observe, "There are virtually no fundamental changes in organizations that do not also involve some changes in the reward system." This is one consequence of redesigning roles and responsibilities. Anne Fisher (1995, p. 122) cites the example of Integra Financial, a $14 billion (in assets) bank holding company that was formed through a merger. In order to reinforce the company's commitment to a teamwork initiative, management implemented a carefully designed evaluation and reward system, "to discourage hot-dogging, grandstanding, filibustering, and other ego games" and to ensure that "the best team players get the goodies." Fisher (1995, p. 122) also notes, "One thing that you can count on: Whatever gets rewarded will get done." This also means that whatever is not rewarded (such as pre-change working practices) will not get done. Changing the reward system can thus contribute significantly to sustainability by removing the financial motivation to return to old behaviors.

Rewards should also include public recognition of behaviors that are consistent with the desired change: this both reinforces individual behavior and sends strong signals to others. The opposite also applies: management failure to respond to behavior that is in direct opposition to the change undermines the credibility of the program. Lack of action in this respect can increase rapidly the rate of initiative decay. The organization's pay system can thus support or derail a change initiative.

Link Selection to Change Objectives

Staff selection, and promotion processes, can be subtle but powerful ways in which to embed and sustain assumptions and values—to change and to maintain the organization's culture. As with the rewards system, appointments and promotions, particularly to key and influential roles, have symbolic significance in signalling whether top management really support a change, or not. A single inappropriate senior appointment during the change process can quickly derail all the implementation work that has already been undertaken.

To support organizational changes with selection, a number of organizations have adopted "values-based recruitment" systems, which seek to select staff whose motives, attitudes, and values support what the organization is trying to achieve. For example,

Jonathan Rapping (2009) describes a values-based recruitment, training, and mentoring program for selecting and developing public defenders to represent poor clients in criminal cases in Georgia. Poor defendants often have problems finding lawyers, who then refuse to visit them in jail. To change this traditional culture, recruitment and selection changed to emphasize values relating to enthusiastic and loyal representation, advocating the client's cause, studying and preparing the case, and communicating with the client.

Triggered by failures in quality of social care in the United Kingdom, Jacqui Goode (2014) describes a values-based recruitment toolkit to help employers to find people with values appropriate to working in this sector. This toolkit includes sample job advertisements, an online personality profiling questionnaire, and suggested values-based interview questions such as: "What excites you about working in adult social care?" and "Can you give an example of where your understanding of what another person may be going through has helped you to develop your compassion for that person?" and "Tell me about a time when you have 'gone the extra mile' at work." The answers to these kinds of questions reveal candidates' behavior and their values with regard to care and compassion.

Walk the Talk

This is a well-known cliché. However, senior management can seriously jeopardize the sustainability of change if their words and actions are interpreted by employees as signalling, "We don't really mean it." In other words, if the top team does not support this change, why should we? Little is more damaging to the credibility of a change program than a lack of consistency between the statements and behaviors of the change advocates. Even if management did not mean to send negative signals, "unintentional hypocrisy" can be equally damaging (Fisher, 1995).

One indicator of consistency concerns changes in management practices that are clearly aligned with the goals of the change. For example, who is praised and promoted and why? Is management enthusiastically advocating teamwork while still rewarding individual performance? Where are resources—finance, staffing, expertise—being allocated? The commitment of resources to an initiative in such a way that to withdraw would be extremely costly conveys unambiguous management support (as Alan Lafley did—see box). All of these management decisions and actions have symbolic as well as tangible effects. Edgar Schein (2010) argues that managers signal what is important by what they systematically pay attention to. "Communication" is not confined to conversations, meetings, presentations, and emails, but includes all management actions—and omissions—that send signals concerning goals and priorities (and we have also to recognize that those signals may or may not be interpreted in the manner that management intended).

Alan Lafley's Moment of Truth

Early in his time as chief executive at Procter & Gamble, Alan Lafley had to decide whether to approve a major marketing effort to launch several new products. This would require significant commitment of funds, and P&G had just missed earnings targets two quarters in a row. But Lafley had been working hard communicating the message that innovation was P&G's lifeblood. Lafley describes his response: "So we locked arms and we went ahead. I had to make choices like these to convince P&G managers we were going to go for winning" (Gupta and Wendler, 2005, p. 4).

Encourage Voluntary Acts of Initiative

John Kotter (2012) emphasizes the value of having many change agents in an organization, and not just the usual small elite team, arguing that vision and strategy should be communicated in a manner that creates buy-in and attracts a growing "volunteer army" (p. 52). From their four-year study of organizational change in six corporations, Michael Beer et al. (1990) conclude that in encouraging change, the most effective senior managers specified the general direction in which they wanted the company to move and left the details of specific changes to be decided "closer to the action," lower down the organization. They found that change was more likely to become embedded if those at the operational level were supported when they developed for themselves the specific changes that they believed appropriate for their local circumstance.

Measure Progress

A focus on measurement is important for two reasons. First, metrics and milestones are fundamental to tracking the progress of change, highlighting the need for any corrective action. Second, what gets measured can significantly affect how people act, because measurement signals the importance of that aspect of performance. Less attention is paid to dimensions of performance that are not measured. From a survey of the change experiences of over 2,000 executives, Giancarlo Ghislanzoni et al. (2010, p. 8) found that two of the top five procedures used by organizations whose changes had been successful were "defining detailed metrics for reorganization's effect on short- and long-term performance and assessing progress against them" and "using detailed plans, split into workstreams with milestones for delivery and someone accountable for reaching each." Progress measurement is thus important both for implementation and for sustainability.

It is important to choose appropriate metrics (see "Change Metrics: The Continental Airlines Experience"). David Nadler (1997) argues that organizations should carry out a comprehensive progress check on major change initiatives within six months after they have begun, and then annually thereafter. These checks should use a combination of quantitative performance measures, attitude surveys, focus groups, and interviews with individuals. Kanter et al. (1992) suggest that two kinds of measures are particularly helpful. First, *results measures*: How will we know that we have achieved our objectives? Second, *process measures*: How will we know that we are doing what is necessary to achieve those objectives, and how plans may need to be adjusted? The Price Waterhouse Change Integration Team (1995) argue that a balanced set of performance measures should include:

- *Leading measures*, which reveal the immediate results of a new initiative, such as changes in processing time, or time-to-market for new products
- *Lagging measures*, such as financial performance, and corporate image, that can take time to become apparent
- *Internal measures*, focusing on intra-organizational processes and efficiencies
- *External measures*, such as the perspectives of stakeholders, customers, and suppliers, and how the organization compares with benchmark competitors
- *Cost-based measures*, that are directly financial
- *Non-cost measures*, such as market share and brand image

Exercise 11.1 asks you to apply these measures to a current change in your own organization, or one with which you are familiar. Do all of these measures apply? If not, why not?

Celebrate en Route

Months or years can pass before the outcomes of a change initiative are fully realized. Most of those who are involved expect to see convincing evidence that their efforts are being rewarded. A lack of clear evidence of success strengthens the views of those who initially resisted the change. Skepticism concerning the value of the change may thus be increased by delays in demonstrating the benefits. However, it is often the case that some tangible benefits can be identified at an early stage in the process. John Kotter (2012, p. 52) thus argues that one of the "accelerators" of change is to celebrate significant short-term wins. Celebrating the early benefits, even if they are relatively small in scale, recognizes and rewards those who are involved, strengthens the credibility of the program, and helps to weaken the skepticism.

Celebrating Success at Sandvik

Sandvik Materials Technology produces advanced alloys and ceramic materials, and employs over 8,000 people in 50 production and 30 sales units across the world. When a change program focusing on business processes was introduced, some of Sandvik's units soon achieved very significant improvements. People from these units then visited other units, in particular those where there was skepticism about the change. These visits spread knowledge of successes and helped people in other units see what improvements could be achieved through the change initiative. Later, when a key financial target was reached, this was acknowledged by having a photograph taken of the Sandvik management team standing on top of a pile of gravel. However, according to Sandvik president Peter Gossas, "When we looked at the photo we thought, 'Yes, success should be celebrated but hey, this is the wrong message.' So we added five bigger piles to symbolize mountains we have yet to climb" (Ahlberg and Nauclér, 2007, p. 3).

In addition, the links between changed systems and working practices and organizational performance should be made clear. Staff who have to work out those links for themselves may not make accurate assumptions. And successes, if they are effectively publicized and widely understood, can act as catalysts for further changes (see "Celebrating Success at Sandvik"). A further implication of the focus on celebrating "en route" concerns the allocation of resources to priority areas; those areas that need the most urgent attention may provide the best opportunities to demonstrate clear and immediate benefits, which can then be celebrated as short-term wins. Failure to establish those priorities at an early stage in the change process may be a direct cause of change failure.

Change Metrics *The Continental Airlines Experience*

When Gordon Bethune became chief executive of Continental Airlines in 1994, it had been losing money for most of the previous decade, had a debt-to-equity ratio of 50 to 1, and had served some time in Chapter 11 of the federal bankruptcy code. During this period, Continental had emphasized competing on the basis of cheaper fares than its major competitors. However, although it achieved the lowest cost per available seat mile (of the major airlines), it also had the lowest revenue per available seat mile and a loss overall. Bethune reflects on this situation:

> I firmly believe that what you measure is what you get. This is an example of a company that said that it couldn't compete with the big boys

unless it was able to have cheaper fares. That set the culture and mind-set. So, we had a culture that said, "Cost is everything." That's the Holy Grail. We even had pilots turning down the air-conditioning and slowing down airplanes to save the cost of fuel. They made passengers hot, mad and late. That's a dysfunctional measure, a measure some accountant dreamed up who does not understand our business.

Bethune responded by investigating what factors most influenced passengers' level of satisfaction with airlines. This revealed that on-time performance was the most significant factor. Unfortunately, at the time of Bethune's arrival, Continental ranked 10th of the 10 largest U.S. carriers on this criterion. Nonetheless, Bethune changed the core metric used inside Continental to on-time performance:

> We use that measure for two reasons. One because it is the single most vital sign of a functioning airline, and two, it's ranked by our Government and we can't screw the metrics.

To reinforce the centrality of this factor, a new system of rewards was established in which bonuses were paid to all staff each month that Continental was ranked in the top 5 of the 10 largest U.S. carriers for on-time performance. The cost of the bonus payments was more than covered by the reduction in the amount—that had risen to $6 million per month—that Continental had been paying to put passengers on other airlines, put them up in hotels, bus them across town, and so forth.

> The next month, March 1995, we wound up in first place. We had never been in first place in 60 years. I mean, Continental, the worst company in America for the last 20 years, is first place in "on time" which is a metric everyone kind of understands.

By 1996 (and again in 1997), Continental had won the J. D. Power & Associates award for customer satisfaction as the best airline for flights of 500 miles or more and was in the top three in terms of fewest customer complaints and lost baggage. From 1995 to 1998, Continental's market capitalization rose from $230 million to $3 billion.

Fine-Tuning

Despite careful advance planning, most change initiatives do not unfold as anticipated. The need for corrective action is to be expected. Making timely modifications in the light of experience will normally be more effective than attempting not to deviate from plan. Problems arise for two main reasons. First, by definition, the implementation of change always involves doing something new, something that has never been done before. A particular type of change program may of course have been implemented in another division, or another organization—but that change will always be new here, in this organization, in this division, at this time, for these reasons, with those resources, affecting our staff. In other words, change management always involves "building the plane as you fly," and it is not surprising if parts fall off. Second, organizational changes are multifaceted, affecting many different factors that are themselves interlinked. It is therefore difficult to anticipate all of the "knock on" effects or "ripples" that a change in one area will have elsewhere.

For the change manager, this means adjusting and refining aspects of the implementation process without this being seen as an admission of failure. This can be difficult in practice, because "we have learned from experience" can also be described as "you made mistakes in the planning." This can be addressed by communicating the fine-tuning in terms of consistency with the original goals. As we have noted elsewhere, part of the change management responsibility is to help others to make sense of what is happening, to shape and to retell the story, and to explain that the core principles that lie behind the change remain intact.

Fine-Tuning at Ford

In 1995, Ford Motor Company introduced a series of changes to the way the company designed and manufactured its cars and trucks. This involved changing from an existing functional structure, consolidating activities into five vehicle centers, and using a reduced number of platforms for its vehicle range. After a year and a half, senior management decided to make modifications in light of the initial experience. However, the changes had been viewed with some skepticism by some groups and individuals both inside the company and in the financial community. As a result, when the time came to announce the modifications (e.g., consolidating further from five to three vehicle centers), the company paid a lot of attention to making sure that the further changes were presented as a refinement, that is, a logical adjustment completely in keeping with the spirit and intent of the original change (Nadler, 1997).

In this section, we have discussed eight sets of actions to consider when designing a change initiative, in order to build sustainability into the process from the beginning, or at least from an early stage. These include redesign roles, redesign reward systems, link selection to organizational objectives, walk the talk, encourage voluntary acts of initiative, measure progress, celebrate en route, and fine-tuning. Finally, based on a study by David Buchanan et al. (2007) of the UK National Health Service, one of the largest employing organizations in the world, table 11.3 summarizes key sustainability "actions and cautions." This research emphasizes that sustainability relies on local management judgement and on two main forms of action: preventive maintenance and developmental maintenance. *Preventive maintenance* involves action to sustain the status quo, to keep new working

TABLE 11.3
Managing the Improvement Evaporation Effect

Sustainability Actions	Sustainability Cautions
Define what "sustainability" means in your context: a static or a dynamic perspective, and what timescale?	Do not defer sustainability planning, as some modes of development and change implementation will damage sustainability
Identify the factors (contextual, temporal, organizational, political) that affect the sustainability of new methods in your context	Do not expect changes to survive because they are now working; staff leave, resources are reallocated, novel ideas become familiar
Determine what combination of factors can you control and adjust in order to increase the probability of sustaining change	Do not ignore the risk factors: if you are unable to sustain successful changes, that will reduce the probability of other sites adapting the approach and will jeopardize future changes
Monitor the support conditions and implement an appropriate mix of preventive and developmental maintenance	Do not allow efforts to sustain change to block the development of other good ideas
Allow or encourage changes to decay when they no longer fit the context or when better methods become available	Do not withdraw preventive and developmental maintenance as long as you wish the approach to be sustained

Source: Based on Buchanan et al. (2007).

practices operating as intended, to meet predetermined targets and objectives. *Developmental maintenance* involves continuing to adapt the changes to local circumstances in order to sustain an improvement trajectory, to exceed expectation, to meet higher targets. Preventive maintenance sustains the changes; developmental maintenance both sustains and builds on the benefits.

LO 11.4 Words of Warning

It can be difficult to manage sustainability after a change has been successfully implemented; by then, it may be too late. Building sustainability into a change initiative from the beginning provides no secure guarantees, but it is more likely to be an effective approach. However, there are a number of further factors about which the change manager needs to be aware.

Expect the Unanticipated

Most change initiatives will generate unanticipated consequences, unless the links between the changes and outcomes are controllable and predictable (which is rare). Unanticipated consequences may be positive and support the change process. For example, staff may demonstrate greater levels of enthusiasm and commitment to making the changes work than was initially anticipated; cost savings may be higher than planned; processing times may be cut more dramatically. On the other hand, support may be more limited than expected, causing disruption and delay; cost savings may not materialize; time savings may be minimal. Unanticipated outcomes are not necessarily a sign of management failure; in complex change processes, the unexpected is to be expected. No amount of careful preplanning is likely to overcome this.

The change management challenge is to respond in timely and appropriate ways to the unexpected, which, on some occasions, may be early warnings of more serious problems, requiring a combination of resilience and improvisation.

Unanticipated Consequences at FedEx

Federal Express (FedEx) introduced a new aircraft routing system with the intention of increasing the productivity of its pilots. More powerful computers and developments in scheduling algorithms made this seem feasible, the estimated savings in the hundreds of millions of dollars made it attractive, and the pilots had a record of supporting measures intended to improve competitive efficiencies.

However, things didn't work out as planned. The new system produced flight plans that required pilots to cross the time zones of two hemispheres, undertake back-to-back trans-Pacific and trans-Atlantic flights, and spend hours travelling by land to change aircraft. Efforts by FedEx to improve the working of the new system failed to produce any improvement, but the company persisted with the new system. In response, the pilots' union, despite having a reputation for compliance with management requirements, threatened a work stoppage if the system was not abandoned. Then, having taken this stance, their demands extended to a substantial wage increase, fewer flying hours, and improved retirement benefits.

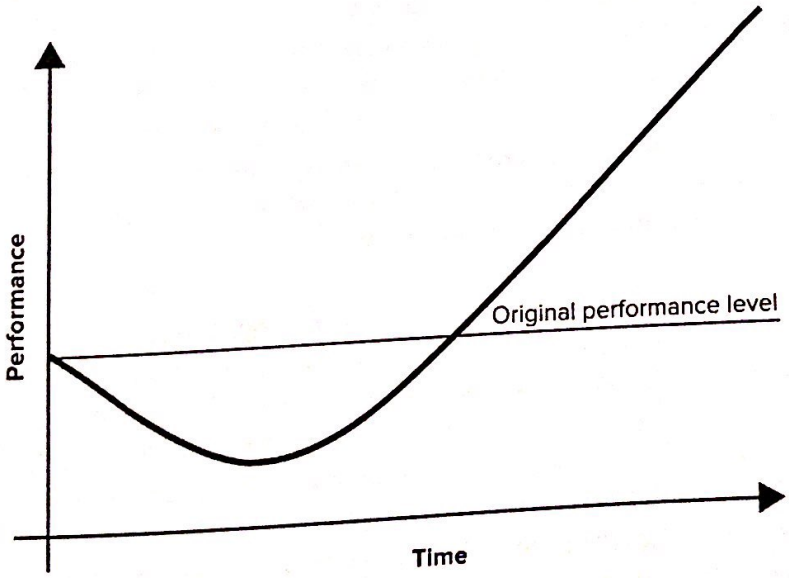
Faced with the prospect of a strike by the pilots—which would have been the first pilot strike in the company's history—FedEx management relented, and the new scheduling system was abandoned (from Pascale et al., 2000).

Beware the Limitations of Measurement

The benefits derived from new ways of doing things (online customer satisfaction, brand image, and reputation) may not immediately be reflected in traditional measures (sales per square foot, stock turnover, market share). The credibility of a new idea may be threatened if it does not succeed on established criteria. However, in some circumstances, a change may be regarded as successful even where the intended aims have not been met—such as a major process redesign initiative that achieved few of the intended goals but which increased the organization's receptiveness to and capacity for further changes. Assessing the effectiveness of change is therefore complex and challenging.

"Premature measurement" can also create problems. As discussed earlier, celebrating short-term wins can be valuable, but measuring the overall success of a change initiative should be related to the timescale over which benefits are expected to be delivered. A focus on short-term gains and quick fixes can weaken the persistence that is often required in order to achieve gains that develop over a longer period. In addition, organizational change rarely flows in a linear fashion, and the outcomes tend to be shaped by the combination and interaction of multiple factors. At times, change may appear to be progressing rapidly, while at other times, it may appear to have stalled. In some instances, performance may deteriorate before it improves, as people learn how to adjust to and work with new structures, systems, procedures, and practices. This initial dip followed by an uptick in performance is known as the "J-curve" (figure 11.1). This is also known as (Rosabeth Moss) "Kanter's Law," which states that "Everything can look like a failure in the middle" (Kanter, 2009).

URE 11.1
J-curve



The shape of the J-curve, and the timescale over which it operates, will of course vary from one setting to another (performance may not dip in some cases, and may never recover in others). Assessment of how well a change is progressing must consider not only which metrics to apply, but also the timing of those measurements. The J-curve can be helpful in managing the expectations of others, with regard to justifying a deterioration in performance, and also explaining the rate at which the benefits of the change are likely to become apparent.

Beware Premature Declaration of Victory

Embedding and sustaining organization culture change can take a considerable amount of time—years in some cases. For any transformational change, John Kotter (2012, p. 52) advises the change manager to "never let up; keep learning from experience; and don't declare victory too soon." In other words, celebrate the wins, but do not declare overall victory. Until a change is firmly embedded, the possibility of a return to previous working practices will remain possible. There may be significant numbers of people who are hoping that the change will not succeed, and that "things will return to normal." Those who feel this way may not make their views known. Anne Fisher uses the term "vicious compliance" to describe those who display support in public ("they will nod and smile and agree with everything that you say") but are resentful of the change and are waiting for the opportunity to return to the "old ways" of working to which they remain committed.

Beware the Escalation of Commitment

It is important to recognize that not all proposed changes are going to be beneficial. If a change is not producing the desired outcome, then this may be a "praiseworthy failure," which it would be wise to discontinue. However, it is also wise to guard against the understandable tendency of the advocates of this change to argue that failure to deliver is due to insufficient funding and that more time is needed to demonstrate the benefits. If those arguments are accepted, then further resources will be allocated to the initiative, creating an "escalation of commitment." Barry Staw and Jerry Ross (2004) identify four factors that can lead to escalation:

1. *Project determinants*. Commitment is likely to increase where the lack of progress is considered to be due to a temporary problem, or where additional funding is considered likely to be effective, or where the relative payoff to come from additional investment is considered to be large.
2. *Psychological determinants*. "Sunk costs are not sunk psychologically." Escalation can result from self-justification biases in which having been personally responsible for a decision can lead to continued commitment in order to try to avoid being associated with losses.
3. *Social determinants*. Escalation may occur as those most closely identified with a project commit more resources in an attempt to revive it and thereby save face by not being associated with a failure. This response is encouraged by the existence of "the hero effect," or the "special praise and adoration for managers who 'stick to their guns' in the face of opposition and seemingly bleak odds" (Staw and Ross, 2004, p. 209).
4. *Organizational determinants*. Organizational units are likely to resist the abandonment of a project that is seen as central to their identity. Staw and Ross cite the example of Lockheed's L1011 Tri-Star Jet program, arguing that the company persisted with this project for more than a decade, despite huge losses—and predictions that it was unlikely to earn a profit—because to abandon it would have meant admitting that they were simply a defense contractor and not, as they preferred to believe, a pioneer in commercial aircraft.

How can escalation of commitment be avoided? Mark Keil and Ramiro Montealegre (2000) identify the following advice:

- Don't ignore negative feedback or external pressure.
- Hire an external assessor to provide an independent view on progress.
- Don't be afraid to withhold further resources/funding; as well as limiting losses, it has symbolic value in that it is a fairly emphatic signal that there is concern with progress.
- Look for opportunities to redefine the problem and thereby generate ideas for courses of action other than the one being abandoned.
- Manage impressions. Frame the "de-escalation" in a way that saves face.
- Prepare your stakeholders, because, if they shared the initial belief in the rationale for the change, their reaction to an announcement of the abandonment of the change may be to resist.
- Look for opportunities to deinstitutionalize the project; that is, to make clear that the project is not a central defining feature of the organization, so that "stepping back" does not imply any weakening of commitment to the central mission of the organization.

Dipankar Ghosh (1997) suggests three further steps that can help to reduce the escalation of commitment. First, *unambiguous feedback* on progress reduces escalation. Where feedback is ambiguous, the tendency to filter information selectively can lead to escalation by those who are already committed to the change. Second, *regular progress reports*, including explanations for deviations from budget. If progress reports are not a requirement, then they will not necessarily be requested before further resources are committed.

Sustainable Organizations

Jeffrey Pfeffer (2010) argues that, in order to build sustainable organizations, we need to treat human sustainability as seriously as we do environmental and ecological concerns. Organization policies and management practices influence the human and social environment and affect employee well-being in various ways: provision of health insurance, effects of layoffs, working hours and work-life balance, job design and stress, income inequalities, organization culture, and emotional climate:

> Companies that do not provide health insurance, lay people off, pay inadequate wages, and have work arrangements that stress and overwork their employees also impose externalities that others pay for even as they save on their own costs. (p. 42)

However, "green management," which is concerned with environmental awareness, energy efficiency, and carbon emissions, has not been matched by a parallel focus on employee welfare, "even though that might be an interesting and informative indicator of what companies are doing about the sustainability of their people" (p. 36). Actions affecting the physical environment are more visible:

> You can see the icebergs melting, polar bears stranded, forests cut down, and mountaintops reshaped by mining, and experience firsthand the dirty air and water that can come from company economic activities that impose externalities. Reduced life expectancy and poorer physical and mental health status are more hidden from view. Even the occasional and well-publicized act of employee or ex-employee violence has multiple causes and is often seen as aberrant behavior outside of the control and responsibility of the employer. (p. 41)

Pfeffer proposes a research agenda to explore the implications of "human sustainability" policies on both employee welfare and organizational effectiveness. What steps is your organization taking to address human and social sustainability? What further action would be desirable, and why?