

Chapter 1

Introduction: Stories of Change

Learning objectives

On completion of this chapter you should be able to:

- Understand why change is both a creative and a rational process.
- Identify why there are limits on what the manager of change can achieve.
- Recognize how stories of change can illuminate key issues in managing change.
- Appreciate the “roadmap” for this book and the multiple “images” approach that underlies it.

Changing organizations is as messy as it is exhilarating, as frustrating as it is satisfying, as muddling-through and creative a process as it is a rational one. This book recognizes these tensions for those involved in managing organizational change. Rather than pretend that they do not exist, it confronts them head on, identifying why they are there, how they can be managed, and the limits they create for what the manager of organizational change can achieve. It shows how the image(s) we hold about how change should be managed, and of what we think our role should be as a manager of change, affects the way we approach change and the outcomes that we think are possible.

As a way into these ideas, we commence this chapter by visiting four prominent companies to look at stories of recent changes. The Hewlett-Packard story concerns Carly Fiorina's attempts to establish and then manage the merger with Compaq Computer; the IBM story shows how change to this organization has occurred both from the staff within as well as from management at the top; the Kodak story shows how pursuing changes to digitalize the company has provoked reactions from both staff and investors; and the McDonald's story points to the pressures on organizations to change in order to reestablish themselves in the marketplace. The stories contain both similar and different elements about managing organizational change and the broader tensions and choices this entails. In the last part of the chapter, we draw these out, identifying some key lessons that emerge and indicating where they are addressed in the chapters that follow. We also provide a “road map” that indicates the position taken by this book, that our understanding of the issues addressed in subsequent chapters is affected by our underlying images of managing change.

Stories of Change

A Hewlett-Packard Change Story: Managing a Merger

Around 7 a.m. on March 19, 2002, Hewlett-Packard's CEO Carly Fiorina and CFO Bob Wayman were on the phone to Deutsche Bank trying to make one last ditch effort to convince them to vote yes.¹ The vote, scheduled for later that morning, was an important one. It would determine the future of the proposed Hewlett-Packard (HP) and Compaq Computer Corp. merger and the future of HP as a major player in the technology industry.² The months preceding the vote had been tumultuous. After the announcement of the proposed merger had taken place in September 2001, Walter Hewlett, the son of the co-founder of HP, had publicly opposed the proposition, which required shareholder approval.³ Fiorina and her team faced serious and accumulating opposition to the merger, but there was also growing concern for HP's future if the deal was rejected. A Merrill Lynch portfolio manager said at the time, "If the deal is voted down, I don't know what I'm left with. I don't know if the board will stay, if management will walk out the door, or what the strategy will be. Sometimes the devil you know is better than the devil you don't."⁴

In the lead up to the vote, HP was confident that a yes vote by Deutsche Bank was a sure thing. Representatives of Deutsche Bank such as George D. Elling had been public supporters of the merger and had reportedly even given HP a \$1 million contract to uncover the voting plans of other institutions.⁵ Word of a change in Deutsche Bank's thinking reached Wayman and, despite reassurances from his contacts that the merger would be supported, talk strongly suggested that they had, in fact, reversed their decision. On the morning of the vote, Fiorina and Wayman were given their first and only opportunity to pitch the deal to the investment team at Deutsche Bank. Fiorina, using her innate ability to impress, gave a compelling and persuasive argument questioning the company's future if the merger did not go ahead. The Deutsche Bank team decided that a failure to continue with the merger would be more disastrous than the merger itself.⁶ On March 19, 2002, the merger was approved by a shareholder vote⁷—a result that would have been more difficult had Deutsche Bank not supported the merger.⁸

Premerger

Back in 1999 when Fiorina joined HP, the company was in serious need of guidance. The personal computer division faced growing competition, the sales force needed better coordination, and the company was losing market share to rivals such as Dell and Sun Microsystems.⁹ Fiorina joined the organization with aspirations, and external pressures, to change how it functioned. In her view, the culture of HP could be changed by "going back to the roots of the place."¹⁰ One of the ways she set out to achieve this was by working with a local ad agency and the head of Human Resources to create a set of "Rules from the Garage" that outlined what she hoped the culture at HP would become. "The customer defines a job well done" and "Invent different ways of working" became signifiers of the company's direction and aspirations.¹¹

She decided to restructure the company. Customers such as Ford and Boeing were frustrated by the separate sales teams from HP that were constantly marketing individual products to them. They wanted a complete package that addressed the needs they had in their entirety.¹² In light of these uncommunicative operational units within HP, Fiorina reorganized the company into "quadrants," creating two "front-end" sections that

consisted of sales and marketing and two “back-end” functions where manufacturing and research occurred.¹³ There was considerable, but subtle, employee resistance to the change. Fiorina’s vision of HP creating a new interface with customers may have been sound, but, as a radical change, it was not widely welcomed by many who were part of the HP “system.”¹⁴

Post-Merger

In the aftermath of the merger, and the ensuing lawsuit that opposed the merger and attempted to dissolve it,¹⁵ Fiorina had a huge task ahead of her. The integration of the two corporate cultures was made more difficult by the strained relations Fiorina had with her own staff, many expressing serious concerns regarding the merits of the merger.¹⁶ The transition was made slightly easier by the 65,000 new personnel who became a part of the HP community after the merger. They were more at ease with creating an organization in the way that Fiorina envisioned. According to Fiorina, the necessary cultural adjustment was simplified by this injection of “new DNA.”¹⁷

Following the merger, Fiorina embarked on a series of technological symposiums and “coffee talks” with HP engineers.¹⁸ Although the merger had already been undertaken by HP and Compaq, there were still many employees who were not convinced of the validity of HP’s riskiest move, some of whom faced being victims of the job cuts resulting from the merger.¹⁹ To win over the 147,000 employees worldwide, Fiorina used a range of methods of communicating including the “management by walking around” style that Packard and Hewlett had originally advocated within the organization. A company employee commented on her style and interaction with all members of the company by saying that her actions and down-to-earth nature “earned her a lot of points” with transferes from Compaq.²⁰

The company faced challenges in the way of significant competition from both Dell in the PC business and IBM as a service provider.²¹ Communicating a vision for the future of the company post-merger remained a key issue for Fiorina.²²

Three years later, in February 2005, Fiorina was ousted from HP and replaced by Mark Hurd.²³ In one of his first acts as the new CEO, Hurd undid some of the radical changes from his predecessor’s reign.²⁴ He cut jobs and engaged in a restructure, breaking down the four quadrants into product divisions because they were too “matrix” in design.²⁵ Some commentators, in referring to “the debacle of the Carly Fiorina years,” argue that many of the changes Hurd has made are “designed to unscramble the forced attempt at synergy attempted by his predecessor, instead handing back clearer responsibility to divisional managers for their own operations.”²⁶ Greater attention to becoming more efficient and getting better at execution appears to be producing results: in August 2007, Hurd announced HP’s best sales growth for seven years.²⁷

An IBM Change Story: Transformational Change from Below and Above

*Change from Below*²⁸

Before using the Internet became as commonplace as watching television, David Grossman and John Patrick took on the mammoth task of convincing their superiors and co-workers at IBM that the Internet was even worth looking at. Their subsequent actions helped to revolutionize Big Blue and drastically change its path into the future.²⁹

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When David Grossman, a computer programmer, stumbled across a rogue Internet site for the 1994 Winter Olympics in Lillehammer, Norway, he was troubled. IBM had the official broadcast rights to the Games, but Sun Microsystems was taking the raw footage and making it available on the Internet under their logo. Although his position as a programmer did not require him to act on his findings, Grossman was deeply concerned about the implications of the branding of the Internet broadcast and the potential effects on IBM. He pursued the issue by contacting the IBM marketing team for the Olympics. The rogue site was eventually shut down, but the lesson had not been learned. IBM had not even begun to comprehend how the Internet could become an integral part of their business dealings.³⁰

Grossman's persistence landed him a meeting with the head of marketing, Abby Kohnstamm, and some of her colleagues. It was here that Grossman was able to give a detailed explanation of the benefits of the Internet. He captivated one member of his audience wholeheartedly. John Patrick, a member of the strategy task force, attended the presentation that day and he immediately became Grossman's ally in the Internet Revolution and an important link to the world of senior management.³¹

As a team, Grossman and Patrick complemented each other. Grossman had the more developed technical know-how.³² Patrick knew how to make the "boundaryless" culture at IBM work to his advantage.³³ Together they created an underground community of Web fans who shared technical information that ultimately helped IBM into the Internet era, albeit working, for the most part, unofficially.³⁴ The grassroots Web community infiltrated all corners of the company in a way that would have been difficult for an officially sanctioned, top-down group. It was through the advocacy of the lower-level personnel that the Internet message was spread through IBM's culture.³⁵

Of course, the downside of being an unofficial part of an organization is the potential lack of financial backing for a group's projects. However, when it came to finding money for IBM's first-ever display at an Internet World trade convention in 1995, Patrick was not fazed. By coordinating the funds and the Web technology from various business units and becoming a "relentless campaigner" for the project, he gained support and expertise from multiple parts of the organization.³⁶ By sharing experienced personnel and resources from many departments, Patrick and Grossman were able to provide departments with more expertise and highly trained personnel when they were "returned" to the area from which they came. This strategy reinforced internal support for the change.³⁷ Over the years, Patrick and Grossman succeeded in creating a system that revolutionized the way in which IBM does business. Coupled with the leadership of Lou Gerstner, the period from 1993 to 2002 was one of reinvention and change.³⁸ IBM transformed from a computer manufacturer to a global service provider, focusing on e-business and the Internet. By the late 1990s, IBM's trading in the e-business sector began to reflect in the bottom line, accounting for almost a quarter of its revenue.³⁹

Change from Above

In 2002, Samuel Palmisano, a lifetime IBMer, took over leadership of the company from Gerstner. Palmisano's focus changed to emphasize teamwork and collaboration. One of his first steps in demonstrating his new management style, to investors and employees alike, was a readjustment in executive compensation.⁴⁰ This involved a cut in the controversial

CEO bonus that was redistributed within the top management team. Palmisano claimed that in order to function as a team, the gap between the CEO and his team must be reduced.⁴¹ Insiders said that the amount pooled was \$3 to \$5 million, approximately half Palmisano's personal bonus.⁴² This was an effective way of communicating to the entire organization his intentions and commitment to his vision.

In a *BusinessWeek* e-mail interview, Palmisano wrote that in planning for change, "I kept thinking about an approach that would energize all the good of the past and throw out all the bad: hierarchy and bureaucracy."⁴³ To this end, he disbanded the executive management committee and created three teams with which he would work directly. These management teams—in the areas of strategy, technology, and operations—were composed of people from all over the company, not exclusively top management.⁴⁴ His aim in restructuring was to make IBM a flatter, more creative organization striving to meet consumer needs.⁴⁵

In addition to the restructure, Palmisano saw a lack of skills in IBM around the delivery of global services. In 2002, IBM acquired PwC Consulting as a way of bringing to it highly specific consulting skills and expertise to assist IBM in providing a full range of services to its clients, "from high-end technology consulting to low-end support."⁴⁶ IBM also put in place other techniques to make sure that it listens closely to its people. For example, it introduced the concept of "jams," which are online brainstorming sessions where any employee can share his or her ideas about management issues or new product development. Palmisano subsequently expanded the use of jams to include clients, consultants, and employees' family members in order to share ideas and help the company innovate.⁴⁷ It is as a result of such changes from the top that IBM hopes to meet the challenges of the future.

A Kodak Change Story: Provoking Reactions

Could this be the beginning of one of the biggest turnarounds in American corporate history or one of the most public and embarrassing busts? After more than a century of producing traditional film cameras, Kodak announced in September 2003 that it would cut this line of production. In Western countries, this involves a complete move away from traditional products within the film industry and a full-scale launch into digital technology.⁴⁸ The move is slated "to generate . . . \$20 billion by 2010."⁴⁹ At an investor conference, CEO David A. Carp said:

We are at the dawning of a new, more competitive Kodak, one that is growing, profitably, that has a more balanced earnings stream, and that will have a dramatically lower cost structure . . . To compete in digital markets, we must have a business model that lets us move even faster to take full advantage of the profitable growth that digital promises.⁵⁰

Implementing this change required Kodak to cut their dividend and raise capital for new technology purchases.⁵¹ Further elaboration of this strategy occurred in January 2004 when it was announced that to reach the proposed savings of between \$800 million and \$1 billion by 2007, Kodak needed to make two physical changes to the organization.⁵² First, there would be a reduction in the square footage of Kodak facilities worldwide by consolidating current operations and divesting unnecessary assets. Second, Kodak intended to reduce employment worldwide with up to 15,000 jobs to be cut by 2007.⁵³

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Investor Reactions

The announcement in September 2003 took many external experts by surprise.⁵⁴ At a series of post-announcement meetings with investor groups, their reactions were not overly supportive,⁵⁵ particularly to the news that their dividends would be severely cut.⁵⁶ They were conscious of promises to increase the company's revenue that were not realized.⁵⁷ It was feared that this would become another "half-hearted transition"⁵⁸—as with the \$1 billion launch into APS cameras in 1996 that ended in failure.⁵⁹ They also pointed to the risk in moving in this direction given the competitive market with rivals such as Hewlett-Packard, Canon Inc., and Seiko Epson Corp., which were already ahead in digital technology research and product development.⁶⁰ Carp's response was to stand firmly by his decision to pursue digitalization of Kodak.⁶¹

Staff Reactions

For many of Kodak's employees, the future looked bleak regardless of the success of the company in moving into digital technology. Employees were rightly concerned about losing their jobs in light of the proposed 20 percent worldwide cutback in employment.⁶² Downsizing is not new at Kodak. From 1997 to 2003, the company reduced its workforce by 30,000.⁶³ As argued in *The Wall Street Journal*, this type of change "moves parallel [to] those at many companies whose comfortable business models have been threatened by rapid changes in information technology."⁶⁴ As one union representative explained, the stress on workers in one Kodak production plant has been made worse than necessary because "management has not sought to reassure [Kodak employees] that they have got any long term future. When people have families to raise, financial commitments, that's a very difficult environment to work in."⁶⁵ Hence, along with having to convince investors that the path of change is the right one for Kodak, Carp also had to manage the adverse effects of an ongoing program of downsizing and restructuring.

The Next Phase

In June 2005, Antonio Perez replaced Carp as CEO.⁶⁶ He continued on the path of downsizing and eliminating plants. From 2004 to 2007, Kodak reduced its head count from 63,900 to 30,600 and offloaded a factory that it owned in Xiamen, China.⁶⁷ Perez is also engaging in a process of acquisitions in order to grow new businesses—with some concern from the financial community about the amount of debt that the company is accumulating.⁶⁸ As Guerrero argues, "For now, Kodak's position illustrates the problems that many companies face mid-turnaround, when the tough choices have been made but the results are still unclear. Management, under intense pressure from investors and buy-out groups, faces a critical test of nerve."⁶⁹

A McDonald's Change Story: Responding to Pressure

Imagine eating nothing but McDonald's for a month. Morgan Spurlock, independent filmmaker, did just that, restricting his diet with the following limitations:

- No food or drink other than McDonald's menu items.
- Meals supersized when given the option.
- Every item on the menu had to be eaten at least once.⁷⁰

Spurlock spent one long month traveling across the United States interviewing various community groups about the implications of eating fast food and using himself as a guinea pig.⁷¹ Before embarking on this journey, Spurlock underwent a full medical examination and was deemed to be a physically healthy man. One month later, the diagnosis had changed.⁷² After three square McDonald's meals a day for 30 days, Spurlock had gained 25 pounds, his cholesterol level had jumped from 168 to 230,⁷³ and his liver was in a state that an alcoholic would have envied.⁷⁴

The result of this personal experience was a documentary called *Super Size Me*, an entrant in the 2004 Sundance Film Festival. The aim? Spurlock claims his objective was to uncover the link between foods like McDonald's and obesity,⁷⁵ a correlation that the company had long denied.⁷⁶ Nevertheless, the film's release coincided with the launch of McDonald's new Happy Meal for adults, comprised of a salad, a bottle of water, and a "stepometer." Despite valiant attempts by McDonald's to counteract the claims of the film, *Super Size Me* became one of the five biggest-grossing documentaries in American history.⁷⁷

Highlighting health issues related to fast food has only added to other worldwide pressures on McDonald's operations. Externally these include an epidemic of mad cow disease, foot-and-mouth disease, the SARS epidemic in the Asia-Pacific region, a fall in economies leading to weaker foreign currencies, and high commodity costs.⁷⁸ Internally these problems were compounded by McDonald's aggressive international expansion strategy that made future growth more difficult.⁷⁹ As the then-CEO, James Cantalupo, admitted, "we took our eyes off our fries and paid a price."⁸⁰

The problems that the company faced went beyond superficial fluctuations in sales and revenue. The year 1996 was a turning point, with McDonald's experiencing four consecutive quarters of declining sales and beginning to lose market share to competitors such as Wendy's and Burger King.⁸¹ Jack Greenberg, the former CEO, implemented the highly unsuccessful "Made for You" kitchens with disastrous results.⁸² The result was slower service in contrast to its aim of flexibility with new menu items.⁸³

Franchisees became frustrated. Take Paul Saber. For 17 years, he was a McDonald's franchisee, but in 2000 he recognized the lack of fit between the product offerings at McDonald's and consumer tastes. "The McDonald's-type fast food isn't relevant to today's consumer,"⁸⁴ he commented as he sold his 14 stores back to the company. Others stuck it out with McDonald's. Richard Steinig remembers getting a 15 percent profit from the \$80,000 sales at his two stores in the 1970s.⁸⁵ This was quite a comfortable income given that the minimum wage was less than \$2 an hour. By 2003 he was struggling to make ends meet. Even the \$1 menus advertised worldwide resulted in a loss for Steinig: as he said at the time, "we have become our own worse enemy."⁸⁶

Getting Back to Basics

In 2003 Cantalupo was brought in to rectify the declining state of the organization.⁸⁷ He previously held the position of vice chairman and headed McDonald's international expansion. His vision for the organization's future was in a "back to basics"⁸⁸ approach with organizational changes to refocus the organization on core values of quality and service. However, Cantalupo died in 2004 of a heart attack and his successor, Charlie Bell, left soon after (and subsequently died from cancer). In 2004 Jim Skinner took over as CEO.⁸⁹

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As part of the new strategy called “Plan to Win,” new store openings were cut back.⁹⁰ The aim was to increase sales from existing sites instead of growth through a rapid implementation of new stores.⁹¹ For example, in 2004, 300 new stores were proposed, in comparison to 1995, when 1,100 new restaurants were opened.⁹² There was also a complete overhaul of the advertising campaign. By introducing the “I’m lovin’ it” slogan and commercials featuring pop singer Justin Timberlake,⁹³ the hope was to reinvent the company’s image and connect it with the younger generation.⁹⁴

Another part of the revitalization of the McDonald’s business was the introduction of the new salads menu.⁹⁵ McDonald’s, in the past, had expressed little concern at the claims that its products are directly linked to obesity, but some critics saw the launch into the “fresh salads” menus as a sign that the unhealthy reputation of fast foods may have been identified internally as a threat to the organization.⁹⁶ This new menu has helped to draw in female customers who had previously been reluctant to dine at their restaurants⁹⁷ and increase the number of customers during the evening.⁹⁸ In the past, McDonald’s had tried creating low-fat menu options for their patrons with the McShaker salads and McLean Deluxe burger, but with limited success.⁹⁹ Now, responding to external pressures, customers are given healthier and tastier menu options.¹⁰⁰ One of McDonald’s newer goals is “loved by kids, approved by moms,” focusing their nutritional efforts on these two key customer groups.¹⁰¹ Franchisees in Colorado, for example, have joined forces to introduce “Smart Meals”—actively promoting meal combinations that meet specific nutritional standards and include two Happy Meal options for children.¹⁰² Other franchisees have revamped their PlayPlace, the traditional children’s play area, by introducing the R Gym, encouraging physical coordination and aerobic activity.¹⁰³

McDonald’s also implemented an online training program for all U.S.-based employees to address customer service issues.¹⁰⁴ The aim was to bring the company back on the road to providing the basic, speedy service and quality products that it became famous for so many years ago. Together, these changes reflect the company’s most recent “better, not just bigger” mantra to bring the company back in touch with its customers.¹⁰⁵ By 2007 this seemed to be working, with the company declaring some of “its strongest business results in 30 years.”¹⁰⁶

Drawing out the Change Issues and Where They Are Found in the Chapters that Follow

As outlined in Table 1.1, these four stories carry in them a wide variety of lessons and issues relating to managing organizational change. We now highlight the key issues and indicate how they are picked up in the chapters that follow.

Images of Managing Change . . . Chapter 2

One of the intriguing features of the IBM story is how David Grossman took on the role of manager of change without a formal mandate to do so. Many in his position would not have seen it as their responsibility to drive change through the organization in this way. They would more likely have experienced change as recipients rather than as initiators of change. Carly Fiorina’s use of persuasion to get Deutsche Bank representatives to vote

TABLE 1.1
Managing
Change: Some
Lessons from
the Four
Stories

Hewlett-Packard Change Story

- Different interests need to be recognized and addressed during an organizational change
- These interests are likely to provoke different reactions to change
- Organizational politics and lobbying are likely aspects of an organizational change that will need managing
- Negotiation and persuasion are key communication skills
- More successful communication strategies are likely to be those that “touch” the people to whom they are addressed
- Communicating change often entails providing a vision of the future that is compelling
- Pressures to change come from both outside and inside organizations
- Restructuring is a common organizational change when confronted with problems
- Any organizational change usually involves paying attention to organizational culture

IBM Change Story

- Innovative changes often emerge from below in organizations
- Making change stick requires persistence over time and actions that need to be taken on multiple fronts
- Change needs appropriately placed champions to gain support throughout the organization
- The informal network of the organization is an important part of mobilizing and communicating organizational change
- Change requires marshalling of appropriate resources

- Some changes are incremental, others transformational
- Some smaller change actions often convey powerful symbolic messages to help reinforce the sincerity and credibility that senior management attaches to the larger change

Kodak Change Story

- Organizational change involves handling reactions of both internal and external stakeholders
- Communication strategies need to be designed for internal and external groups
- Reactions to change are likely to be influenced by the success of previous changes and the extent to which there has been delivery on past promises
- Change involves risk and uncertainty
- The consequences of change cannot always be predicted
- Managers of change need to address the question for staff of “How will I be affected?”

McDonald's Change Story

- Organizational changes occur in a competitive, international business environment
- This means that to prepare for the future, change may need to occur even when things still appear to be going well
- Organizations face external pressures to change such as providing socially responsible products and services
- Some changes fail to deliver on their intended outcomes
- Change in and of itself is not necessarily good for a company; careful assessment is needed of the relevance and likely success of a proposed change

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for the HP/Compaq merger indicates that she was aware that as CEO she couldn't simply order the merger to occur—she recognized that change involves different interests that need to be identified and managed. Kodak's David Carp, in the face of opposition from investors to digitalizing the company, stood steadfast in his resolve to move the company down this track.

Each person operates with an image or mental model of what he or she thinks is achievable. We can characterize David Grossman's image as being one of an *interpreter* of change—identifying for people in IBM what is going to be needed to keep the organization relevant in the future. For Carly Fiorina, an image of *navigator* might describe her change management style, figuring out how to steer HP toward a merger. David Carp's style might be characterized as a *director*, setting out where Kodak was headed and articulating why this redirection of the company was necessary.

Each image indicates a different approach to managing change and what might be achieved. The images with which we operate as individual change managers influence our actions. It is therefore important that we understand what these images are and how they impact our understandings and interpretations of organizational change. We need to appreciate how our images both illuminate certain aspects of change and take us away from paying attention to other aspects. Chapter 2 picks up the idea of images of change. It outlines six dominant images (change manager as *director*, *coach*, *navigator*, *interpreter*, *caretaker*, *nurturer*) and challenges managers of change to identify their own “in-use” images of change and assess their strengths and weaknesses. This is an important theme that acts as an undercurrent throughout the book and is therefore revisited at various points in subsequent chapters.

Why Organizations Change . . . Chapter 3

For McDonald's, fast international expansion coupled with increasing external pressures contribute to why it is now reorienting itself toward a fresh image. External pressures include changes in consumer preferences with more awareness by consumers of health issues related to fast foods; we also saw other external pressures in the form of currency fluctuations, the emergence of mad cow disease, and greater competition from other fast food chains. Fast-paced technological change acted as an external pressure on Kodak's traditional film cameras and pushed the company toward the digital era. Customer pressures for more streamlined and single-point-of-contact interactions were behind why, in 1999, Fiorina restructured HP “front-end” and “back-end” sections.

Chapter 3 picks up these issues of why organizations change. It elaborates a range of internal and external rationales for change. The premise of the chapter is that change is a risky business as change often fails to achieve its stated aims—witness, for example, Jack Greenberg's attempts to create flexibility at McDonald's through the “Made for You” kitchens. Given that change can be an expensive and traumatic event for any organization, managers of change need to be able to assess the pressures on them to engage in it. For example, the chapter alerts change managers to the way they are sometimes under pressure to change their organizations because of “fashion” pressures to do so—without an adequate assessment of the real need for the change—or without the change being likely to deliver economic or other beneficial returns to the organization.

What Changes in Organizations . . . Chapter 4

In the four stories of change, we witnessed multiple types of changes, often within the one organization and over time. For Carp, and then Perez, moving Kodak in new directions represents a strategic change, transforming the nature of the organization and the products it distributes. Nested inside this strategic redirection are a number of other changes including downsizing staff and decreasing plant size. At HP the merger with Compaq involved trying to establish a common culture—the new DNA—for the emergent enterprise. At IBM, technological changes in the form of new ways of doing business underpinned David Grossman's change efforts; Palmisano's creation of three core management teams represented an attempt to restructure the organization and to reduce hierarchical boundaries.

Chapter 4 focuses on these changes, in particular downsizing and restructuring changes, technological changes, and mergers and acquisitions. These are common types of changes that change managers are likely to experience—and Chapter 4 identifies key issues and challenges associated with them. It outlines how, for some organizations, these changes are strategic and proactive, whereas for others they are reactive. It also discusses the concept of scale of change, noting how what may appear to be incremental for some change managers may be experienced as transformational by the people affected by them.

Diagnosis for Change . . . Chapter 5

The question remains whether the changes implemented by Kodak, IBM, HP, and McDonald's represent the *right* changes for each organization. They were under pressure to change—but which particular changes should be made was not always clear-cut, nor agreed to, by different stakeholder groups such as in the cases of Kodak and HP. The need for change may be clear, but exactly what to change—and the impact of these changes on other parts of the organization—is an important question for the manager of change.

Chapter 5 addresses this dilemma by outlining a number of “macro” models and techniques for mapping and assessing where changes are needed in an organization. Common to these techniques are directing attention into areas such as an organization's structure, strategy, management skills and styles, communication patterns, reward mechanisms, decision-making procedures, and human resource and cultural modes of interaction. Other “micro” tools and techniques are outlined that enable more specific change actions to be identified in any one of these areas. Well-recognized tools include force-field analyses, gap analyses, stakeholder analyses, and news reporter techniques. Training change managers in such techniques provides them with greater appreciation of why they are conducting specific changes and the likely impact of these changes on other parts of their organization's operations.

Resistance to Change . . . Chapter 6

One of the first reactions to any change is likely to be “What's in it for me?” or “How will this affect me?” Certainly the reaction of staff to Kodak's announcement of more downsizing, or of its investors to the decree that dividends would be cut, attests to this, with resistance from both groups. Fiorina faced resistance to change both at a “family” level (Walter Hewlett) and at a staff level in her desire to press ahead with a merger with Compaq Computers.

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Change managers need to pay attention to how people will react to change: whether they are likely to embrace it—even run away with it beyond initial expectations—or whether they are likely to display neutral or negative reactions to it. Resistance to announced changes may relate to their experience with previous changes, whether past promises were delivered or whether those announcing and enacting the changes are seen as sincere and credible. Chapter 6 delves in detail into understanding why people may resist change along with techniques that change managers can utilize to counteract such responses.

Implementing Change . . . Chapters 7 and 8

How change occurs, and how it is managed in and through an organization, will vary. In the HP/Compaq change story, Fiorina employed two change styles: one to get the merger formalized; a second, later style to “sell” it to staff, albeit with varying degrees of success. In IBM, change emerged at different times from both below and above. The change from below occurred through exciting people, creating informal groups and teams, and letting the ideas bubble up to the surface of the organization. This style of coaching and encouraging others and building momentum is a different style of producing change than simply announcing it and getting others to carry it out. The urgency, prevailing conditions, and attitudes toward the change are likely to influence how it is managed. What is clear is that a good idea for change may be badly implemented and fail—and the converse may be true.

Managers of organizational change therefore need to carefully assess the approach they will take to implement change: how much they will involve people in what needs to be changed or how and when things will be changed. Whether the style of change will vary depending on the type and scale of change, the timing of the change, and the stage of the change are other important questions to consider. Chapters 7 and 8 guide the manager of change through six central approaches to implementing change: organization development, appreciative inquiry, sense making, change management, contingency, and political/processual approaches. Reference is made to how adopting one or another of these change approaches is underpinned by different images of change, as discussed in Chapter 2.

Linking Vision and Change . . . Chapter 9

The role of vision is embedded in each of the four stories of change. Carp’s address to investors was underpinned by a vision of digital markets being the way of the future; Palmisano’s vision is about rediscovering what was good about IBM in the past and taking these characteristics into the future; Fiorina had a similar vision for HP when she began in 1999, setting out to create the future culture of HP by molding it around the core roots of the organization. Conversely, bringing Cantalupo back into McDonald’s to assist in turning around the company was criticized at the time on the grounds that he lacked vision.¹⁰⁷

Vision has apparently become core to managing organizational change. Yet vision is often one of those things to which lip service is paid without really addressing why some visions “take” and others do not in an organizational change. The latter situation can emerge because of the context in which the vision is presented (here we go again) because it fails to resonate or connect with the people for whom it is intended (what does it mean?) or because of the process through which it was developed (I don’t know anything about this—who thought this one up?). These issues, which relate to the *content* of successful visions and the *process* through which visions are produced, are outlined in Chapter 9. This chapter provides the manager of change with three dilemmas associated with change

visions: whether vision drives change or emerges during a change; whether vision helps or hinders change; and whether vision is an attribute of heroic, charismatic leaders or an attribute of heroic organizations. This chapter cautions the manager of change into accepting at face value that it is up to him or her to produce visions for organizational change—and to question whether vision is central to driving organizational change.

Strategies and Skills for Communicating Change . . . Chapters 10 and 11

An important part of managing change involves what, how, and to whom it is communicated. Some change communications are symbolic in nature, such as Palmisano's actions in cutting his bonus and redistributing it to his management team as a way of reinforcing the message that they are all in this together. Many communication strategies are directed to those *inside* an organization with the intention of winning the hearts and minds of staff in support of a change. Fiorina's internal communication strategy including "coffee talks," symposiums, and "management by walking around" provides examples of this and ones that appear to have gone down well with the Compaq people who were transferred into the newly merged organization. Other communication actions are directed to those *outside* the organization in an effort to keep them on board during a time of change. Given that changes do fail, it is clearly important to retain the support of external stakeholders during times of change. Carp's addresses to investors about Kodak's changes serve as an example of attempting to do this.

Having a strategy for communicating change is clearly important; having the skills to enact it is just as important. Chapters 10 and 11 address these two issues. Chapter 10 discusses the communication process—whether you can communicate too much and how to link the communication strategy to the type or phase of a change. It gets change managers to reflect on whether the strategy is intended to "get the word out" or to get "buy-in" about the change and what media will be used to assist them. Chapter 11 delves into the communication skills that change managers are likely to need, paying particular attention to the listening and language skills associated with "change conversations." The assumption adopted in this chapter is that these skills are needed to ensure that new ways of talking are produced (the outcome of change) and that change managers are not sending mixed or ambiguous messages about what they require or where they are trying to take things. This chapter widens this issue by outlining skills involved in managing change conversations with external stakeholders.

Sustaining Change . . . Chapter 12

David Grossman faced an issue in how to resource his "change from below" and teamed up with John Patrick, who developed some innovative ways of gathering resources opportunistically, especially at first. There are many other ways of supporting change aside from just the provision of resources. They may include putting in place a new mindset such as Palmisano did in disbanding the long-standing executive management committee at IBM. Other ways of supporting change may be at a human resource level, by realigning compensation systems or by implementing new training programs such as Cantalupo did at McDonald's in order to reemphasize customer service.

Sustaining change is necessary to ensure that sometime after they are implemented, things do not quietly drift back to how they used to be. Sustaining change is about how

14 Chapter 1 Introduction: Stories of Change

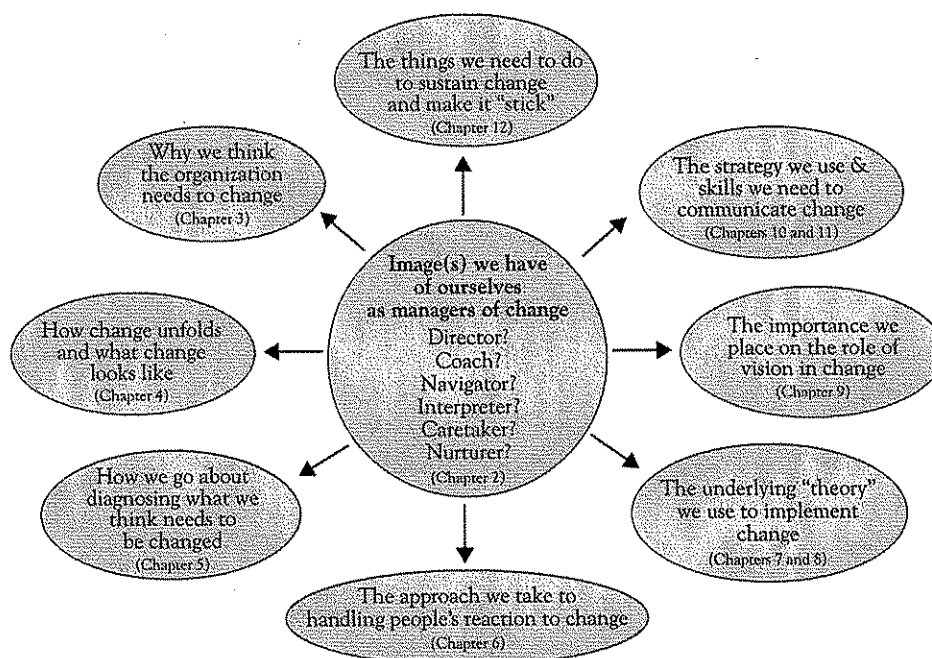
to make it stick, how to make it a core feature of how work will occur. As discussed earlier, Fiorina's restructuring of HP served as one way of sustaining change, creating a new interface between customers and the organization—even though this was later changed by Mark Hurd as the new CEO. Other ways include creating short-term wins so that people can see the benefits of the new approach and ensuring that senior management continue to reaffirm the changes and model them in their own behaviors. Chapter 12 concludes the book by elaborating on issues for resourcing and aligning change. It sets out how change is “powered”; that is, how powerful groups can be brought on side and retained in order to support the change process and how change can be measured—so that a shift can be demonstrated. At the same time, this chapter points out that, in practice, some changes are deliberately abandoned for a variety of reasons and that multiple changes may be introduced that need to be managed simultaneously. These present very specific challenges to managers when staff perceive them as replacing rather than complementing preexisting changes.

Bringing it all Together: A Roadmap of the Book

Figure 1.1 provides us with a “roadmap” for the rest of the book. It outlines the approach we take to introduce you to managing organizational change from a multiple-images perspective. As discussed above, and as will be outlined in more detail in the next chapter, the image(s) we have of ourselves as managers of change influences the approaches we take and the views we hold about how we should engage in change. This observation is central to this book. It is a theme that we weave throughout the chapters that follow. The image(s) we hold influences why we think change is needed (Chapter 3), what change looks like and how it unfolds (Chapter 4), the techniques we use in going about diagnosing what needs to change (Chapter 5), the things we pay attention to in handling people's reaction to change (Chapter 6), the underlying “theory” we use in implementing organizational change

FIGURE 1.1
A Road Map of the Book

Image(s) we have of ourselves as managers of change influence how we do it and to what we pay attention



(Chapters 7 and 8), the importance we attach to the role of vision in producing organizational change (Chapter 9), the communication strategies and skills we employ when we engage in change (Chapters 10 and 11), and the issues we need to address to sustain change and make sure that it “takes” and endures over time (Chapter 12).

An assumption underlying Figure 1.1 is that our images affect our approaches to all of these issues. For that reason, the images are found in the center of the road map and their influence radiates out to all aspects of managing organizational change. Although the book follows an unfolding linear sequence of chapters, it should be appreciated that all issues of managing change are important—and that the sequence in which we address these issues is not necessarily the sequence in which change managers should take them into account when engaged in a change process. For example, although the last chapter, Chapter 12, addresses how to make change “stick,” this does not mean that it is the last thing that needs to be addressed in a change process. Indeed, paying attention to the issues addressed in this chapter early on in a change process is likely to be needed in order to plan for how the consolidation of change might occur. Similarly, although issues of communication of change are not addressed until Chapters 10 and 11, the thoughtful change manager will be paying attention to these issues throughout a change process. The same logic applies to the other chapters.

EXERCISE **1.1**

Creating Your Own Story of Change

Think back to a change that you have experienced, in either your personal or professional life.

Option One

Try writing it down in one page or less. Now, answer the following questions:

- What made it a “story”?
- Of the change “lessons” outlined in Table 1.1, which of these are present in your story? Which ones are absent? What are the implications of this?
- Are there other “lessons” embedded in your story for future changes in which you might be involved?
- Now, in small groups, compare and contrast your stories. What commonalities and differences emerge?
- What three key conclusions do you draw from these stories about managing change?

Option Two

In small groups (around five to six people), get each person to tell his or her story of change. This should take no more than three or four minutes each. Record key elements of the story on paper. Go around the group until each person has told his or her story. Put the sheets of paper on the wall so that you can observe them, and answer the following questions:

- What are the common issues across each story?
- What are the differences?
- Of the change “lessons” outlined in Table 1.1, which of these are present in these stories? Which ones are absent? What are the implications of this?
- Are there other “lessons” embedded in your story for future changes in which you might be involved?
- What three key conclusions do you draw from these stories about managing change?

A Note on Chapter Formats

Each chapter adopts a common format. Learning objectives are provided at the start of each chapter and wide use is made of tables to provide vignettes to demonstrate the relevance of the material to the operations of well-known organizations. Each chapter has a section that provides a series of reflective questions for change managers, getting them to think how they will deal with the issues raised in the chapter, or how they have dealt with them in the past and what alternative ways of managing they might adopt for future changes. Further reading is provided to deepen knowledge of specific issues raised in each chapter should readers wish to delve further into particular areas. Each chapter addresses in different ways the implications of change managers' images of managing change, as outlined in Chapter 2, for the issues covered in each chapter. Learning exercises are available in each chapter to assist individuals in pursuing further the ideas in the chapter or to assist them in using the material in classroom situations. Each chapter has a case study to enable exploration of the material. This material often calls upon the reader to relate his or her experiences of change or of organizations with which he or she is familiar to the material covered in each chapter. Where experience of work organizations is minimal, we suggest that the readers apply this material to other organizations they have encountered, whether it be a sporting, religious, community, or other organization such as the family or other social institutions of which they are a part. In addition, they can call upon their own reading taken from press and business magazines in order to supplement the knowledge available to them. Each chapter also provides information about additional case studies that can be used to illustrate the material discussed.¹⁰⁸

Conclusion As proposed at the start of this chapter, engaging with organizational change and producing successful, intentional change outcomes cannot be guaranteed. It may not even be desirable, in retrospect, if the change idea turns out to be costly, marginal, irrelevant, or just plain wrong. This book does not set out to naively offer the manager of change a recipe book of "what to do." Such approaches, we believe, only compound the problem of maintaining an illusion that managers can control all change outcomes if only they utilize carefully planned steps. This is not a position that we accept. Rather, we suggest that most people's lived experiences of organizations are that they are complicated and messy arenas. Acknowledging this may be the first step to taking a more realistic view of what managers of change can expect to achieve. As discussed in the next chapter, *shaping* rather than *controlling* change may open up alternative images of what managing change actually means. Reflective change managers will accept that choices need to be made in order for change actions to proceed, but these choices are informed ones, not ones naively adopted on the grounds that there is only "one best way" of approaching organizational change. We hope that you agree with this position!

TABLE 1.2
Additional
Case Studies

Nestlé's Globe Program (B): July Executive Board Meeting

Killing, P. (2000) *IMD Lausanne*

Massport (A): The Aftermath of 9/11

Roberto, M. A., and Ferlins, E. M. (2004) *Harvard Business School*

Massport (B): Change at the Top

Roberto, M. A., and Ferlins, E. M. (2004) *Harvard Business School*

Massport (C): A Revitalized Organization

Roberto, M. A., and Ferlins, E. M. (2004) *Harvard Business School*

Massport (D): Looking to the Future

Roberto, M. A., and Ferlins, E. M. (2004) *Harvard Business School*

Marks and Spencer's Turnaround

Israni, J., and Ratha, C. S. V. (2004) *ICFAI University Press, Hyderabad, India*

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Anders, G. 2003. Perfect enough: Carly Fiorina and the reinvention of Hewlett-Packard. Portfolio, cited in The Carly chronicles, *Fast Company*, no. 67 (February):66–72.

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Anonymous. 2003a. Crunch time for IBM and HP: Can Palmisano and Fiorina deliver the goods? *Strategic Direction* 19(9):5–7.

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Anonymous. 2003c. Did somebody say a loss? McDonald's. *The Economist* 367(8319) (April 12):59.

Anonymous. 2003d. Has McDonald's lost the plot? Troubled times under the golden arches. *Strategic Direction* 19(4):14–16.

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Anonymous. 2004b. Kodak's Australian workers concerned over job cuts: Union. *Asia Pulse*, January 23.