Change Management

the People Side of Change

An introduction to change management from the editors of the Change Management Learning Center

www.change-management.com

DEMO version only
Advance praise for *Change Management: the People Side of Change*

“Great book! This book takes the sometimes overly academic work around change management and makes it easy, understandable and actionable.”

Laura Roethe, Change Management Practice Leader, CUNA Mutual Group

“The principles illustrated in the book are timeless and appropriate to any condition where things are not static. In fact, they are based upon great quantities of common sense – so much so that their utilization is not common.”

Kim A. Kennedy, General Manager, Industrial Operations, Blue Diamond

“This is a must read. Recognizing the need for change and effectively leading the correct changes may be the most important leadership role for today’s executives. In today’s competitive and uncertain economic environment, change competency may be the key to success.”

E.H. (Gene) Sherman, Founder and CEO, Baynard Cove Group

“Great book on change management – especially the ideas presented on integrating the organizational and individual elements of change management. The book has forced me to look at change management in a new way!”

Susan L. Schleusner, Project Manager, Storage Technology Corporation

“A wonderful primer for change management. Every organization, both public and private, should view this text as required reading before implementing major change.”

Dr. James Johnson, Adjunct Faculty, Regis University
“Change Management is a great book to read if your boss ‘talks' about change management, but can't explain what change management is or how to go about it. This book will give you the foundation you need to manage change and get the results you are trying to achieve.”

Melissa Dutmers, Process Architect,
Agilent Technologies

“Change Management is like a driving school for change agents. It teaches you the basic principles and rules for safely navigating changes and offers you insight into the minds of other ‘drivers.' This book allows professionals to manage change so that whatever change ‘vehicle’ your company chooses to drive, you will be able to efficiently and effectively get to wherever your company wants to go.”

Michelle Wiginton, Information Technology,
University of Oklahoma

“What impressed me the most in the book is the concept of change competency – the idea that change becomes business as usual. This opened my eyes to the fact that business and process changes must happen fast and are continuous.”

Linda Colston, Process Development Specialist,
Nokia

“By far the greatest strength is in the integration of the change process on two levels: the individual and the organizational (business). Far too often, publications have emphasized one at the expense of the other, leaving the integration to change management students with no guidance.”

Norma Sutcliffe, Ph.D., Assistant Professor,
DePaul University
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Prosci Learning Center Publications
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CHAPTER 1

Why manage change?

As editors of the Change Management Learning Center, we have analyzed research data from more than 1,000 companies involved in large-scale changes. We talk daily with project leaders and managers. We write weekly articles and tutorials on managing the people side of change. We review new books in this field of study. What we observe more than anything else is the need for easy-to-apply concepts and practical guidelines for managing change. Yet, up to now, a straightforward introduction to change management has not been available.

When finished with this book, you will have a basic context for change management, know why it is important and understand how it is used. As a business manager, you will be more effective as a change leader and sponsor of change. Specifically, you will be able to prevent and manage resistance to change, minimize productivity loss, avoid unnecessary turnover and increase the probability that your business changes produce the desired results.
Why manage change?

Whether you are an executive, supervisor, coach, consultant, project team leader or manager of any type where your job is to manage people, you likely have experienced resistance to change from employees. However, you may not recognize the role that you can play in preventing that resistance and leading change. Most managers do not make this connection until they have personally experienced failure in an important change project.

“I should have communicated better.”

“Next time I will involve more people.”

“If the CEO had just been more public in his support.”

“I was undermined by managers who felt threatened by this change and did not understand the vision.”

These common reflections by business leaders after an unsuccessful initiative have one common theme: each represents a failure to manage the people side of change. They are not alone. In a general study of companies implementing major business changes, 327 project leaders, consultants and managers answered the following question about their project overall:

“If you had the chance to do it again, what would you do differently?”

The most common response was:
"Utilize an effective and planned change management program."

Surprisingly, these study participants did not emphasize design or technology issues. They did not say they lacked vision or an understanding of the marketplace. The most common barrier to success was a lack of change management. They fell short when managing the people side of change and encountered:

1. Managers who were unwilling to assign the needed resources to the project or would not allow their representative adequate time to participate

2. Managers who filtered out important messages or started negative conversations about the change

3. Employees who became distracted and lost interest in their current work responsibilities thereby impacting overall productivity and customers

4. Valued employees who left the organization

5. More people taking sick leave or not showing up for work

6. Unforeseen obstacles to the change that seemingly appeared from nowhere

7. A lack of funding for the change

In other words, things did not go exactly as planned. The unexpected happened. Not managing the people side of change impacted their success and introduced risk into
their projects.

Change management can not only mitigate these business risks, but in many cases avoid them entirely. Business leaders have the potential to not only manage resistance once it appears, but to prevent it in the first place. Unfortunately, many business leaders and project teams do not appreciate their role in managing the people side of change until after resistance impacts the success of their change.

Two case studies show the potential consequences of not managing the people side of change. These case studies were selected because they highlight two common leadership mistakes: first, believing that change management is someone else's job; second, ignoring the people side of change until major resistance stalls a project or causes the project to fail.

**Case Study 1 - The Reluctant CEO**

To reduce cost and improve customer service, an insurance company wanted to consolidate its customer contact centers across several divisions. A consultant was hired to support the effort and to prepare implementation plans. The project no more than began when rumor spread through several departments that this organizational change was not good for the company. Supervisors and key managers in the existing customer care centers began resisting the change. In some cases they would not show up for design reviews or miss key decision-making meetings. Information requested by the consultant and the design team was withheld or half-complete. At breaks and around the coffee pot, employees complained about potential leadership changes. Both employees and managers
Chapter 1 - Why manage change?

were distracted from their day-to-day work and productivity suffered. Key managers were rumored to quit if the change was implemented. The consulting firm met with the CEO, repeatedly warning that this resistance would undermine his change and would ultimately begin to affect customers. The CEO, however, was reluctant to become personally involved. He believed that change management was the job of his project team and the consultant, and not the responsibility of the head of the company. After several months of difficulties and delays, the consultants finally declared the consolidation in jeopardy.

With the project at a stand-still, the CEO requested an emergency briefing with his leadership team. To prepare for this status report, the consultants conducted interviews with key managers throughout each department. They quickly identified a director in an existing customer care center who viewed his job at risk with the potential change. Negative conversations initiated by this director were spreading throughout the ranks. His supervisors were the same people who were presumably threatening to leave the organization.

Even armed with this information, the CEO remained reluctant to take definitive action. The only recourse at this stage was reassignment or termination of this manager. Both options could have negative fall-out for the company and the affected manager. The CEO was faced with a stalled project and a potentially lose-lose decision for a long-tenured manager.

In this case, the CEO made two mistakes that are common in major changes. The first was to assume that change management was someone else’s responsibility. In a change management benchmarking study with 288 companies, the number one research finding related to
an executive’s role in change is active and visible sponsorship at every phase of the project. The second mistake the CEO made was not managing resistance when it first surfaced. Resistance to change can spread like wildfire when not managed effectively. Waiting, in this case, only resulted in a more difficult situation later on.

Case Study 2 - Stripes and Tar

The president of a business association had facilities maintenance as part of his overall responsibilities. The association included multiple businesses that each had condominiums in a single large office complex. The president of the association decided that the parking lot needed resurfacing and new striping. He arranged for a local contractor to do the work.

One day the construction company showed up at the office complex and started blocking off the parking lot. The contractor was getting his equipment ready and was trying to clear the lot of cars when disgruntled business owners confronted his workers. The business owners wanted to know what was happening, why it was happening and who authorized the work. Not happy with the uninformed answers from the contractor and the immediate demands to remove the cars from the lot, the business owners instructed the contractor to pack up his equipment and leave. Since the president was not on site to resolve conflicts, the contractor had no choice but to abandon the job.

Even when the president finally intervened later in the day, enough business owners were upset about the unknown financial impact and the disruptive process that the contractor never returned to resurface the parking lot.
In this case, the association president knew what needed to be done, took charge and moved ahead. The change was small, and in terms of maintenance, he was doing the right thing for the association. However, the president neglected to make the business owners aware that the lot needed resurfacing as part of normal maintenance. He did not communicate the financial benefit to the association and therefore the financial benefit to each business owner. Finally, the president did not inform the business owners about how and when the work would be done, and what the business owners needed to do to support the project. The result was resistance from the business owners, who, in this case, had sufficient authority to stop the work. The association president simply ignored the people side of the change and the project failed.

Both complex and simple changes can fail. With many projects, the evidence of failure from not managing the people side of change is not as black and white as the absence of new blacktop with freshly painted white lines. Failure can come in many forms including project delays, loss of valued employees, significant declines in productivity and customer dissatisfaction.

In Case Study 1, the CEO did not think that managing change was part of his job. It was not until a crisis emerged that the CEO became involved. In Case Study 2, the association president viewed the change as small and simple, a change that he did not think required change management.

Why do many business leaders believe that managing the people side of change is not their job? At the onset of a new change, managers are typically focused on issues besides change management. Executives want the change to happen as soon as possible. Their focus is on results.
They are aware of the business issues facing the organization and are accountable for financial performance. When a change is needed, they want action quickly. Their primary concerns are:

- What is the required investment?
- How will this change impact our financial performance?
- What is the return on this investment?
- When can the change be completed?
- How much improvement will be realized?
- How will this change impact our customers?

If the answers to these questions are favorable, then the directive to a project manager or project team is typically "let's get it done." The executive’s focus is not on change management.

The perspective of front-line employees (and in many cases their supervisors and managers within the organization) is very different. They generally do not have detailed insights into the business strategy and financial performance of the business, nor do they share the same accountabilities as business leaders. Many employees cannot connect what they do everyday with the performance of the company; therefore, it is difficult to convince them to change based only on company performance. Their focus is on the day-to-day job. Serving customers, processing orders, getting their work done – these are their primary areas of interest. When a change is made,
their primary concerns are:

- What will this change mean to me?

- Will I have a job?

- Do I have the needed skills and knowledge to succeed in the new environment?

To complete the picture, consider the consultants or project team who encounter both of these different perspectives yet have the job to design and implement the change. They are accountable to the business leaders that authorized the change, yet must work with employees to implement the change successfully.

Employees, the project team and executives have different priorities, different knowledge sets and different motivations. Change brings these different priorities, knowledge sets and motivations together in a potentially volatile mix. Employees feel threatened. Executives expect results. The project team is caught in the middle. The business enters a period in which the risk of productivity loss, customer dissatisfaction and employee turnover increases dramatically. It is at this critical juncture that change management plays a crucial role for business success.

To survive in today’s marketplace, a business must constantly examine its performance, strategy, processes and systems to understand what changes need to be made. At the same time, an organization must also understand the implications of a new business change on its employees, given their culture, values, history and capacity for change. Employees ultimately perform the new day-to-day activities and make the new processes and sys-
tems come to life in the business. Change management is about managing people in a changing environment so that business changes are successful and the desired business results are realized.

The challenge for today’s leaders

These two views of change, the top-down executive’s view and the bottom-up employee’s view, create two distinct challenges for managing change. These two challenges can be referred to as organizational change management (from the manager’s perspective) and individual change management (from the employee’s perspective). Both are skills that today’s leaders need for success.

Organizational change management is the perspective of business leadership from the top looking down into the organization. The focus is around broad change management practices and skills that will help the organization understand, accept and support the needed business change. The emphasis is on communications, training and the overall culture or value system of the organization.

Individual change management is the management of change from the perspective of the employees. They are the ones who ultimately must implement the change. The focus for individual change management is around the tools and techniques to help employees through the transition. Managers and supervisors must provide the coaching required to help individuals understand their role and the decisions they make in the change process.

Overall, change management is about helping people through change. It is the process, tools and techniques for proactively managing the people side of change in order to achieve the desired business results.
Getting up to speed

Change management is the application of many different ideas from the fields of engineering, business and psychology. As changes in organizations have become more frequent and a necessity for survival, the body of knowledge known as “change management” has also grown to encompass more skills and knowledge from each of these fields of study. While this may be a good trend overall, the result for many business leaders is growing confusion about what change management really is.

The purpose of this book is to bring the meaning of change management into focus. Written for executives, managers and consultants, this book will provide you with a solid understanding of the principles and processes around managing change in today’s competitive environment. Case studies, examples and even a personal exercise will help bring the concepts to life.

A different change management definition

The software and IT community have long used the term “change management” to refer to the processes and systems of managing software and hardware revisions (also referred to as change control). If you conduct a search on an internet search engine under the term “change management,” you will find mixed listings. Some listings are for change management as defined in this book. Other listings are for software and hardware change control. This is an unfortunate collision of two fields of study using the same terminology to refer to two completely different topics. However, the IT community is often involved in major business change projects, and therefore
as a practitioner you must be sure that your team understands change management as it is being applied for your project.

**Moving forward**

Before jumping into the models for individual change management and organizational change management, we have devoted a chapter to the principles and theories that contribute to the current thinking on managing change. These principles will provide a foundation for the models presented later in this book.

References


Most change management models in use today are in the form of a process or set of steps. These processes or activity lists were developed through trial and error, and are based on experiences of experts in the field of change management. In some cases these experts have created a standard process based on their consultancy models. These experts often use the same processes with their clients that are published in their books, articles and training materials.

Unfortunately, the underlying lessons and principles that resulted in these change management processes are not always clear. In many cases the principles are not even discussed as part of the resulting model. In a sense, what you learn is the how but not the why. The years of practical experience and knowledge that formed the base for these processes are not readily available to business managers.

A story about a young man watching his mother prepare a roast illustrates the importance of this point. Each time his mother cooks a pot roast, she cuts two inches off
each end of the roast.

The son asked, “Mom, why do you cut the ends off?”

“I don’t know,” replied Mom, “that is the way Grandma always did it.”

The son decided to investigate with a series of phone calls first to Grandma, then to Great Grandma. Grandma said she did it just the way Great Grandma showed her. After talking with Great Grandma, the son discovered that she cut the ends off the roast because her oven and cooking pan were too small, and she had to cut the ends off to make it fit.

Mom and Grandma knew the how — cutting two inches off each side of the roast — but not the why — because the original pan was too small. Ovens and pans are larger now and it is no longer necessary to shorten the roast.

Understanding the why makes you better at doing the how. Change management is not a matter of simply following steps. Since no two changes are exactly alike, following a recipe for change management is not enough. The right approach will be specific to the situation. If you do not understand the why, changes can fail even when standard processes are followed. Research with hundreds of project teams has shown that a one-size-fits-all approach is not sufficient. To be effective at leading change, you will need to customize and scale your change management efforts based on the unique characteristics of the change and the attributes of the impacted organization.

To accomplish this customization, an understanding of the psychology of change and key guiding principles is vital. You will then be able to work with many change management methodologies and adjust your approach according to the size and nature of the change, ultimately making your change a success.
Primary principles for change management

The guiding principles that will impact your change management activities are shown in Figure 1. The overview of principles and ideas presented here is not intended to be an in-depth psychological analysis. Rather, the focus will be on the key insights from these principles that impact effective application of change management. Case studies are used to illustrate key messages including how one million dollars in cash served as a change management tool.

![Figure 1 - Primary change management principles](image-url)
Principle 1 - Senders and receivers

Every change can be viewed from the perspective of a sender and a receiver. A *sender* is anyone providing information about the change. A *receiver* is anyone being given information about the change.

Senders and receivers are often not in a *dialogue* at the onset of a change. They often talk right past one another as shown in Figure 2. What a sender says and what a receiver hears are often two very different messages.

For example, if a supervisor sits down with an employee to discuss a major restructuring project within the company, the supervisor may be enthusiastic and positive. She may cover all the key messages including the business reasons for change, the risk of not changing and the urgency to change the organization to remain competitive. The supervisor may even emphasize that this is a challenging and exciting time. However, when the
employee discusses this change at home over dinner, the key messages to her family are often:

“I may not have a job.”

“The company is having trouble.”

The supervisor may spend 95% of the conversation talking about the business and 5% talking about the implications to the employee. At home, the employee is more likely to spend 95% of the time talking about the impact on her personally and 5% on the issues facing the company.

The consequence is that much of the key business information communicated by the supervisor to the employee in this first conversation is not heard. It is overshadowed by concerns related to job security and fear about change.

Many factors influence what an employee hears and how that information is interpreted. Examples of these factors include:

- Other career or educational plans
- Situations at home or with personal relationships
- Their past experience with other changes at work
- What they have heard from their friends or work colleagues
- Their current performance on the job
- Whether or not they trust or respect the sender
Now multiply these factors by the number of employees who are the receivers of change messages, and add even more variables as each person could have a different agenda. You can begin to appreciate the challenge faced by many businesses as they communicate the change to their employees.

**Preferred senders**

Based on Prosci’s change management research study with 288 organizations, employees prefer two primary senders of change messages. Not surprisingly, they also prefer specific message content from each of these senders. Immediate supervisors are the preferred senders of messages related to personal impact including:

- How does this impact me?
- How does this impact our group?
- How will this change my day-to-day responsibilities?

When it comes to personal issues, receivers want to hear from someone they know and work with regularly, namely their supervisor.

CEOs or executive leaders are the preferred senders of messages related to business issues and opportunities including:

- What are the external customer and competitor factors driving this change?
- What are the current issues facing the business?
Chapter 2 - Theories and principles

- Are there other marketplace drivers?

- What are the financial risks if we do not change?

When it comes to business issues and why the change is needed, receivers want to hear from the person in charge.

The sender and receiver concept is very relevant to the actions taken by change management teams, project teams and business leaders in the change management process. Typically, executives, project teams and supervisors are the senders of key messages. They follow a prescribed communications plan to share information about the change. These communication activities are part of organizational change management.

In some cases, however, managers do not assess what their employees actually heard, nor do they understand how that information was processed. They merely complete a communication activity, check off a box, and move on to the next activity. A poor assumption is that “employees heard just what I said and understood exactly what I meant.”

More likely, employees heard only a fraction of what was said, and their translation of that message will be unique to their personal situation. Some employees may have heard more than what was said, or will make up answers to questions that they do not understand. The answers they make up are typically worse than reality.

Realizing that what receivers hear and what senders say is not always the same is the first step to understanding that change management cannot be reduced to a set of activities or steps. Managers must not only be clear in their communications, they must also listen to employees to understand how their messages are being received. Change management communication is only effective