



Chartered Institute
of Personnel and
Development

HR and reorganisation Managing the challenge of change



The change agenda



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FOREWORD

When Lord Browne of BP said recently that 'our strategy is our organisation', it really emphasised for me the transformation that has occurred since the days that I was first taught about organisation design, with all those charts and reporting lines and M-form diagrams. In our fast-changing times restructuring is a regular feature of organisational life, involving, as one participant in the CIPD's current research told us, 'multimillion pound budgets over an 18-month timeframe ... widespread changes', with major implications for strategic success or failure. Reorganising is a high-frequency and high-stakes activity. 'Restructuring roulette' is how a recent *Financial Times* article on our research headlined it.

As Professor Richard Whittington, who is leading the CIPD's major research project, *Organising for Success*, expresses it, this means that we need to stop thinking about **organisation** and start thinking about **organis**ing****. Because now and in the future, the capability to manage regular changes in form and structure are a critical source of competitive advantage and strategic success, more so than any single structure or design.

But the early findings from our research show that some things don't appear to have changed, and the failure to take sufficient account of people management issues when planning and implementing these changes appears to be regrettably frequent. Around half of reorganisations fail to achieve their objectives, and other studies suggest the failure rates with mergers and acquisitions are even higher. This presents both big challenges and tremendous opportunities for the HR profession. The aim of the CIPD's study, *Organising for Success*, is to produce ideas, tools and experiences to enable us to contribute more influentially and effectively to reorganisations, thereby helping to improve the still low levels of success that many organisations are experiencing with them.

The study is a three-year one, currently immersed in a series of case study investigations in a number of well-known organisations. As we await its final outcomes, we have commissioned the well-known management writer Richard Donkin to write this CIPD Change Agenda on the subject of reorganising and restructuring.

Our Change Agenda series is designed to raise and debate emerging and critical issues in people management and development. While the content doesn't necessarily represent CIPD policy or the views of the majority of our 120,000 members, the publications are intended to raise awareness and consideration of major issues – which do and will affect the profession and the practice of people management in organisations in the UK and Ireland.

Organisation design and change management are just such issues, and those of you who have read Richard's regular, always thought-provoking and sometimes provocative columns on management in the *Financial Times* and other journals will know that he is just the author to do us justice on this subject. You will not be disappointed. In this document, Richard sets the early findings from the CIPD's research into a wider economic, social, technological and historical context, always with a practical slant, and at times with those rib-pokingly sharp insights that challenge each of us to think about how we approach our day-to-day work, how we can make more impact and how we need to develop.

Profiling the twin roots of modern people management in welfare and efficiency, Richard argues persuasively that our research findings show that a more humanistic approach to organisation redesign, with the greater involvement of HR professionals, is the only way to address what he terms the lamentable record of mistakes and failures that are all too evident. But HR professionals need to grasp the opportunity to contribute by becoming more broad and strategic in their outlook and influence, and by harnessing the skills of other functions and professionals, to make reorganising a more people-centric process, with a much higher

rate of success. He challenges the profession with the observation that 'to make change happen, it must first change itself'.

We know from common sense and experience, as well as the extensive record of CIPD research, that effective people management and development can add huge value to organisations and their performance. This Change Agenda should hopefully stimulate your thinking on new ways by which you can contribute further to this added value, to the people and their performance in your organisation. And who knows, even induce in some the sort of 'Damascene enlightenment' that Richard refers to!

If you want more details about our Organising for Success project, see the bibliography at the end or visit www.cipd.co.uk/research

Duncan Brown
Assistant Director General

INTRODUCTION

What kind of improvements are needed in management – in particular, in HR management – to secure effective and sustainable change in organisations? In attempting to address this question, this discussion document reviews some of the work undertaken to date in a three-year CIPD study of organisation restructuring and change management – Organising for Success. It uses evidence derived from the work so far to suggest how such changes can be better managed in the future, and how the HR profession can contribute more strongly and influentially to the success of restructuring, both from the perspective of the employer and the employees affected. And it sets the findings not only in an appropriate historical context, but with a view to future developments, in particular the emergence of more fluid social and organisational networks, alongside the desire for more personal stability in people's increasingly frenetic lives.

One thing should be made clear from the outset: there is much to be done by those in senior management and by HR professionals to address the continuing and lamentably poor record on restructuring in large organisations in order to maximise the benefit of HR knowledge. This knowledge, it should be recognised, is seated not only in organisational design and efficiency, but also in the profession's unique understanding of employee welfare and effective designs and techniques for people management and development.

The document is arranged in four sections.

- **Section 1** outlines the existing CIPD study and interim findings.
- **Section 2** presents the context and rich heritage of HR in organisational change.
- **Section 3** describes the dynamics of change, which must be understood by those seeking to secure the understanding and involvement of employees, so necessary in achieving effective workplace reorganisation.
- **Section 4** concentrates on changes in the HR function and suggests a possible 'three-dimensional' model for HR in the future.

'ORGANISING FOR SUCCESS'

Aims and components: the project so far

The CIPD is carrying out a three-year research study looking at the experiences of restructuring and reorganisations, and how people management and development professionals can contribute to improving the successful outcomes of such changes.

So far the study has involved:

- a review of the existing literature and knowledge on the subject, published in *Organising for Success in the Twenty-First Century: A starting point for change*
- a survey of 800 chief executives, HR directors and managers, published in *Reorganising for Success: CEOs' and HR managers' perceptions*
- longitudinal case studies in 11 organisations where the research team are profiling specific changes and drawing out the learning that subsequently takes place in those involved
- a follow-up survey focusing on more detailed change issues.

Experience and ideas are also being distilled from a series of case study participant and executive workshops, and the project is being overseen by a high-powered steering group of senior practitioners, academics and consultants. The research team is led by Professor Richard Whittington of Saïd Business School, Oxford University, supported by Dr Eamonn Molloy at SBS, Dr Michael Mayer at the University of Edinburgh and Anne Smith at the University of Glasgow.

For more information on the project, visit www.cipd.co.uk/research

Emerging messages: achievement, adoption, frequency

The first messages to emerge from the Organising for Success study confirm what many of us had already observed or suspected about organisational change. It is difficult to achieve, it often fails to accomplish all of its objectives and it can, if handled badly, have disastrous consequences for business. But change cannot be avoided. Indeed, evidence suggests that it is increasing in intensity, driven partly by market forces and partly by technological innovation.

A recent Oxford University study of the UK's top 50 companies revealed rapid acceleration in the adoption and execution of change programmes during the last decade of the twentieth century. At the beginning of the 1990s, about a fifth of the companies surveyed were undertaking large-scale reorganisations every year. By the end of the decade, and for those organisations in the CIPD study, the proportion had risen closer to a third. According to Richard Whittington, the average big business today can expect to be undertaking a significant reorganisation once every three years. In fact, smaller inter-departmental changes are happening almost continuously within the CIPD study organisations. At Microsoft, apparently, they occur so frequently that they are known simply as 'reorgs'. For most managers and employees today, reorganisation is a constant.

We might expect that the increased frequency of organisational change would have led to improved performance and outcomes. Not a bit of it. The CIPD survey in 2003 of 800 managers, comprising chief executives, HR managers and other managers, uncovered a patchy record of success and failure in previous reorganisations. The study showed that almost a half of reorganisations fail to achieve the desired improvements, and in two-thirds of reorganisations there is no improvement in employee performance or well-being. Some 60 per cent of programmes are not completed on time and 40 per cent are not completed to budget. This is consistent with a long line of research studies demonstrating high rates of failure in mergers and acquisitions.

People issues in change

This poor record might be easier to explain if the managers involved had been ignorant of the planning and interventions needed to make reorganisation a success. But additional studies have revealed that some of the most important constituents of successful change are consistently neglected. Chief among these are people-related issues, in particular, employee communications and involvement. Too often, when the need for communication is recognised, too little is undertaken too late in the exercise. Too often also, the communications are top-down. Employees are consulted about organisational design in a little over 40 per cent of cases in the CIPD study. Fewer still get the chance to influence the practical application of change programmes.

Yet the vast majority of workplace change directly affects employees. The study showed that more than 85 per cent of reorganisations involve redundancies and an equal proportion expect employees to make internal job moves. Given that the prime aim of most reorganisations is to improve organisational effectiveness, it seems odd that employee issues and concerns are rarely listed as significant, according to the survey findings. Consideration of the effects on HR issues such as career and reward structures are relatively neglected in comparison with, for example, accounting and IT system changes, which get more than twice as much attention on the reorganisation agenda. Too often this vital HR agenda is sidelined, leaving HR professionals to pick up the pieces and address the resulting problems after the event.

Each of these factors points to an overwhelming case for the strategic use of HR knowledge and involvement of HR professionals at the embryonic stage of change programmes, and through development and delivery. The failure to take account of this knowledge has a number of implications, not least that for the development and career structures of HR professionals. The traditional HR career structure may be inadequate to meet these wider organisation needs.



The HR career gap

According to Professor Whittington, evidence so far from the case studies in 11 leading UK public and private sector organisations in the CIPD study is pointing to a 'career gap', between those capable of fulfilling the operational HR role and those who can deploy HR knowledge in change management. 'In the career ladder, operational HR does not of itself provide all the competencies required to get to the strategic management role,' he says. 'There is a danger of operational HR people hitting a glass ceiling unless they can diversify their experience.'

Findings show that 88 per cent of the reorganisations experienced by those surveyed included HR specialists in their steering groups. This looks heartening on the surface. But the underlying picture of HR involvement is less rosy. 'We found that in general HR people were not leading these programmes,' says Professor Whittington. 'The HR people who had the most extensive experience of change management were senior people working strategically, not the mid-layer HR managers.'

When operational HR managers were asked to describe their role in change they responded far less than the chief executives and those working in strategic HR. 'I suspect this is because they had little previous experience in this area,' says Professor Whittington. 'Their view of their role was two-dimensional. They did not see a strategic involvement in reorganisation as part of their domain.' The same may well be true of middle managers in general, since most re-organisations, according to the study, tend to be drafted by small cabals of a few high-level executives plotting their designs in isolation before imposing them almost by decree.

This is unfortunate, because further evidence suggests that when HR issues are taken into consideration from the conception of a reorganisation programme, the programme is much more likely to succeed. A recent *Harvard Business Review* study drew the same conclusion regarding the early and comprehensive involvement of HR professionals in the process of an international merger or acquisition.

The importance of HR

Three crucial HR areas in the planning stage appear to be:

- career development
- reward structures
- staff training.

From the outset there is a need to consider what the effects might be on career and reward structures of, say, removing management layers, or shifting the roles of country managers in a product line-driven reorganisation. Then there is the question of training, to enable employees to be effective in their new and changed roles, as well as the relevant experience and training of those managing the often sensitive change processes and communications.

The paradox

This creates a paradox for organisations that looks something like this: change management initiatives do not tend to be led by HR people because they are not perceived to have all the skills to conceive and plan reorganisation, and so the importance of the people-related issues is not given due regard. But unless HR knowledge is employed fundamentally in the earliest stages of reorganisation, the change project is unlikely to achieve any great success.

This is a picture reinforced by another recent CIPD study looking at the heads of HR and development functions – *HR: Where we are, where we're heading*. It was carried out among 1,200 organisations in 2003, found that many HR professionals were having trouble freeing themselves from their day-to-day operational and administrative activities in order to carry out a more strategic, higher value-adding role. However, things do appear to be changing in the right direction. A significant proportion of the respondents had prior experience in functions other than HR, giving them a broader business perspective, and almost a third now had lead responsibility for organisation design issues.

Developing expertise

There is more than one solution to this problem. Organisations can and do buy in strategic HR management expertise from consultants, although the CIPD's reorganising research also points to reported problems in the use and integration of consultants' work into the organisation. Another approach is to ensure that in-house change managers and planners have a strong understanding of HR issues. Complementary to this approach is to broaden the business, consulting and planning skills of existing internal HR teams – indeed of all managers involved in reorganising, whatever their function. The survey revealed that managers implementing reorganisation receive training for the role in less than one-third of change programmes. Few change and line managers, it seems, are adequately prepared. Those from the line seem under-prepared to address the HR issues and consequences of change, while those from HR can be under-prepared in change management and organisational development.

'We think HR people ought to be much more involved, better prepared and better trained for this role,' says Professor Whittington. 'There is an opportunity and need for HR to develop in this direction.' The objective of the CIPD project is to raise awareness of the importance of people management issues and to provide HR professionals with the information and tools to make an influential and effective contribution.

Such work on defining and delivering the competencies and qualities needed for fulfilling these respective roles would seem essential, since the competencies needed for strategic HR and change management are likely to differ markedly from those required in day-to-day HR administration. The awareness of this fact, and work to address it, has already started, as shown in the CIPD's *HR: Where we are, where we're heading* survey. This found that high-level process, influencing and change management skills were regarded as critical for HR professionals and leaders in the future. Sixty-three per cent of the surveyed HR heads saw these as being in the top three training requirements for HR professionals in the future, ahead of 48 per cent for strategic thinking abilities and 34 per cent for business knowledge.

Using US guru Dave Ulrich's well-known typology of HR roles, this would suggest not just that HR professionals need to move more effectively away from the time they currently spend on administrative activities, but also that they need to pay at least as much attention to the higher-level 'change agent' role as they do to the much more heavily promoted role of 'business partner', if they are to make a greater strategic and influential contribution.

It should be noted here that the majority of the organisations in the CIPD research still tend to be organised along fairly 'traditional' reporting structure lines. Typically they are divisional-style companies or large public sector bodies such as health authorities. Many are working in partnerships and networks and are making extensive use of project management and team-working. Homeworking is being used by many of the case study participants. But experiments with 'virtual' and very loose forms of organisation tend to be confined to the margins.

New forms of organisations

That said, companies, in particular, need to recognise that many of the technologies that have stimulated the demand for change emanate from organisational forms that are alien to the divisional-style corporation. The robustness of Linux, for example, commonly used today in corporate operating systems, relies on contributions from networked 'open source' programmers.

While this kind of organisation may not pose an immediate competitive threat to most large companies, networked professionals are becoming important contributors to the outsourcing community that is offering competitive alternatives to previously internally based employment. These developments should be seen today as something greater than the interplay of market forces in the way they are forcing change on conventional organisations, and help to explain the greater frequency of changes in contemporary structures.

The Internet, more than any other technology, is operational proof of a law of economics proposed by Nobel-Prize-winning economist Ronald Coase. Coase's law holds that the size of a company's operations is determined by the relative costs of performing those operations externally. The Internet is reducing external transaction costs, allowing far more knowledge and service work to be 'bought in' from outside. The migration of call centres from the UK to India is a modern example of Coase's law in action.



These developments are important to reorganisation strategies and of fundamental importance to all internal service employees – including those in HR – since their contributions ultimately will be judged against those available from external specialists such as IT programmers, interim managers and consultants. The Institute's Research Report *People and Performance in Knowledge-Intensive Firms* also highlights the growing importance of the 'soft' processes of coaching, communication and learning in a more technology- and knowledge-based economy, and therefore the risks of 'hard' organisation restructurings without due emphasis on them. The depressingly common model revealed in the reorganising research of a few top executives and specialists redrawing the lines on the organisation chart and trying then to impose this 'top down' on the organisation is, if anything, becoming less applicable. It will be even less relevant and successful in the future than it has been up to now, given these wider economic and social developments.

Findings from the survey of reorganising experiences in 800 UK organisations

- The organisations surveyed are on average going through a major reorganisation every three years, and minor restructurings at least on an annual basis.
- The primary aims of reorganisations are to improve external effectiveness, eg increase market share or customer service, and improve efficiency. In fewer than a quarter of changes were employee-related goals important.
- Eighty-five per cent of reorganisations lead to redundancies, but in two-thirds of cases they also involve the hiring of new employees.
- Half of reorganisations fail to achieve the intended improvements and two-thirds fail to improve employee-related factors.
- HR professionals are involved in steering groups or management teams in 88 per cent of reorganisations, though they rarely lead these teams. Their level of involvement is associated with more successful outcomes.
- Employees are generally informed about reorganisations in 82 per cent of cases, but they influence design decisions in advance only in about a third.
- Most reorganisations are shaped by the prior experiences of senior management, rather than systematic internal or external benchmarking and learning.
- Respondents believe that future reorganisations should take a more people-centred approach, and pay much greater attention to complementary HR changes, for example, in reward systems.

Features of effective change

Four significant features of effective change programmes emerged from the Institute's comprehensive survey of the experiences of reorganising, which differentiate the successful minority from the rest:

- **Feature 1** – A holistic approach to change involving complementary and supporting programmes is more successful than ad hoc change made in isolation.
- **Feature 2** – Successful change programmes typically adopt project management techniques, involving targets, milestones and detailed budgets, because these techniques have been found to be most effective in achieving success. Realistic resources and timeframes are allocated to the process.
- **Feature 3** – It is important to integrate key people management issues and considerations, along with more general HR policies and practices, in change programmes (as discussed earlier).
- **Feature 4** – A change programme needs sound leadership, grounded in the experience and abilities of senior management to be effective.

The study raises all sorts of questions about the ways in which our leaders are recruited and developed, given that reacting to and managing change is such a key aspect of the executive's role today. Another CIPD Research Report, *Globalising HR*, sheds further light on this issue. Looking at the experiences of multinational organisations it found not only that establishing and running effective talent management and leadership development processes were a key contribution being made by successful HR functions, but also that the leaders of those HR functions themselves were personally playing a change-agent and management role – brokering resources and knowledge, establishing multifunctional and cultural teams, resolving central and local tensions and so on.

The need for adaptation

Less obvious but possibly equally important is the willingness of change managers to adapt as programmes meet unforeseen developments. This ability is often a question of judgement, says Professor Whittington, who remains convinced of the need for change programmes to maintain some discipline without becoming slavish to a project plan. It is a difficult call. Overruns on time and budgets are common problems in change management. Others include failure to learn from previous experience and failure to communicate well enough across the organisation, even when the need is understood. Under deadline pressure it would seem that the simple act of talking to people is considered too time-consuming. As one HR director told the CIPD researchers, 'The reorganisation affected the whole organisation and was controlled within a very tight six-month deadline. This meant that some decisions were pushed through, without time to fine-tune.'

If senior management is often failing, does the HR profession generally have the breadth of ambition to tackle these issues and complexities? 'The senior people we are talking to do not care very much whether they are called HR specialists in their roles,' says Professor Whittington. 'They see themselves as change agents.'

This change in skills and attitudes could be as important for the HR profession as its hitherto admirable concern for covering the fundamentals of HR practices in their professional development and work experience. One of the issues for HR may be the need to raise its profile among management peers. This should be less a matter of raising status and more a matter of deepening the understanding among peer professionals of HR's pedigree in the theory and practice of people management and performance. And it will require more of the profession adopting a more confident and up-front approach with peers and executives, an approach which HR Director Andrew Foster is championing in the National Health Service under the headline of 'HR with attitude'.

HR'S LEGACY IN ORGANISATIONAL CHANGE

The historical context

To understand the scope of their capabilities and to help others to recognise them, HR professionals need to look back to their roots in organisational change. In 1913, when Henry Ford moved production of the Model T to a new plant at Highland Park in Detroit, his engineers adopted work-study techniques pioneered by Frederick W Taylor and his collaborators. Combining these ideas with the concept of moving assembly revolutionised production and slashed manufacturing costs.

Taylor's ideas on breaking work down into its constituent parts, born out of a desire to set effective piece rates, pioneered the use of measurement in work organisation. But it was not until these ideas were combined with that of moving assembly that work study began to establish itself as a 'must have' discipline in workforce management.

People management itself has a much deeper history. The efficiencies to be gained by a division of labour into specialities were known among our hominid ancestors and recognised much later as something novel by Adam Smith. Equally, the advantages to be gained by a concentration and organisation of work into managed teams was understood by the ancient Egyptians, who used foremen-led competing work teams in tomb construction.

The same kind of efficiencies were sought on a larger scale after the introduction of the mechanised factory system into the UK in the late eighteenth century. But it was not until the turn of the century that Robert Owen began to explore a more sophisticated layering of educational and social intervention among the workforce at his New Lanark mills in Scotland. The employee welfare concerns of Owen, shared with many of the early Quaker industrialists, would begin to define the nature of personnel management in the late nineteenth and early twentieth centuries.

Unlike most other workplace disciplines, therefore, HR has parallel antecedents, one dominated by concerns for organisational efficiency, and the other for employee welfare. Both of these streams, however, emerged from the same wellspring – a shared promise of creating an effective workforce. Owen's welfare concerns were seated in his conviction that a better-educated, socially cohesive workforce would be both more productive and more effective in creating a stable yet vibrant working community.

As Edward Cadbury of the famous confectionery family recognised in the early years of the last century, 'employee welfare and company profitability are different sides of the same coin.' Cadbury Schweppes is one of the companies working with the CIPD on their reorganising research. A few years later, the then Education Department at retailer Selfridges (another CIPD

case study participant) defined its purpose as being to 'develop the human resources of the business' and to 'promote happiness at work and, through happiness, true efficiency'.

Bringing the parallel right up to date, the appropriately titled Director of People and Profits at Microsoft UK, Steve Harvey, emphasises the strategic importance of the firm's employee wellness centre in contributing to their business success, and the not unrelated fact that Microsoft also topped the most recent version of the *Sunday Times* league table of top 100 UK employers to work for.

In contrast, Taylor's investigations were far more focused on the relationship between input and output, a singularity that some of the designers of structural changes in the CIPD's research study seem to share.

These components of the HR family tree, including occupational psychology and vocational training, help to explain the evolution of people management into its modern form. When these disciplines are wedded to the military heritage of logistics and divisional structures, they can be seen to define most of the structure and working relationships of the modern organisation.

Taylor's systems, for example, underpin many modern performance management measures. Psychometric measurement is used in selection and teambuilding, and human relations concepts have informed developments in coaching, mentoring and leadership studies. The Cinderellas of modern performance management, I would suggest, are employee welfare and workforce culture and yet these remain crucial, if neglected, areas of change management, accounting for much of the failure that has been observed in so many change programmes, and in the CIPD's research.

For these reasons there is a powerful case to be made for involving HR expertise at the most senior levels of strategic and organisational planning, from concept, through analysis, to execution. Professors Chris Bartlett and Sumantra Ghoshal outlined this need when they urged organisations and their executives in our changing world to abandon an obsession with 'strategy, structure and systems' and focus instead much more heavily on 'purpose, processes and people'. This is as good a summation as any of the conclusions of the CIPD's research to date. The job of HR professionals in the meantime is, as Dave Ulrich put it, to 'work with senior and line managers in strategic execution, helping to move strategic planning from the conference room to the market place'.



PREPARING FOR CHANGE

Why change happens

As the CIPD's Organising for Success research has shown already, change programmes are launched for many different reasons, not always because of the need to meet a new market opportunity or to embrace a new technology. Sometimes the change is at the whim of an incoming chief executive who may have been schooled in a different set of management beliefs than the previous incumbent. Fifty per cent of the reorganisations studied in the CIPD survey followed on from the appointment of a new chief executive in the previous 12 months.

Jack Welch, for example, was typical of the conviction-led CEO. Sure of his distinctive approaches, he used selected performance management processes to drive cultural change in General Electric. Two of his favourite processes were the Six Sigma system to eliminate waste and encourage continuous improvement, and his 'session Cs' – rigorous annual management appraisals based on a three-tier grading system.

It could be argued that other systems might have been equally effective. But this would be to miss the point that cultural change was delivered around the selected processes. If you boil down a definition of strategy to choosing what and how you are going to achieve something – and I have yet to encounter a better definition – you can see that Six Sigma was part of the 'how'. A significant early finding from the CIPD's work is that organisations do need help, ideas and tools to manage the 'how' of internal change, and particularly the critical people-related dimensions of it. Developing these tools is the key aim of the CIPD study.

Change management teams should never be short of a selection of implementation processes where they have robust HR support and input. The HR toolkit is vast and there is enough case study literature on the application of performance systems and measures for senior teams to assess and choose the methods that are best able to instil change across a specific workforce. The CIPD study should add to this body of knowledge.

Before adopting these processes, however, it is important that managers think carefully about what they are trying to achieve. As we have already discussed, most aims tend to be about improving external and internal effectiveness and increasing efficiency. But such improvements are unlikely to be met without an understanding of the likely impact of any proposed change on organisational stakeholders such as employees, customers and shareholders.

Unfortunately, the social consequences of change are widely misunderstood. When Coca-Cola changed its classic coke recipe for a 'new, improved' version, the result was widespread market rejection and a calamitous decline in sales around the globe. Coca-Cola's most senior management had failed to understand the power of familiarity among its customers.

Too often today change is being described as something that is accelerating. It is difficult to argue otherwise given that most – almost all – industries are influenced by the rapid changes experienced in the information technology and telecommunications industries. But the dynamics of change are relative to specific organisations and the functions they perform. You would be unlikely, for example, to use the language of rapid change to describe a village cricket league, although mobile phones and the Internet have certainly made assembling a team a much easier task. Nor are the same forces likely to exert the same strength of influence in certain niche industries – the manufacture of cricket bats, say, if we stay with the same sporting example.

We speak about change with a sense of awe, almost as if it has itself become a tangible commodity. We forget that people react differently to change. Some are excited and stimulated by change. But many are fearful and uncomfortable when they experience the 'shock of the new'. I have called this phenomenon 'social drag'. It reflects the way most of us become attuned to our immediate environment. At the same time, we rationalise the past, psychologically editing out the more unpleasant aspects of our histories, leaving us with a sense of nostalgia. When confronted with changes in our lives, therefore, we tend to seek refuge in the familiar. Karl Weick, Professor of Psychology at the University of Michigan, has called this process 'sense making'.

Change and continuity

The paradox of change, therefore, is that it needs continuity. As Professor John Kotter of Harvard University puts it, successful organisations both push for change and promote stability: 'only organisations that embrace both sides of the contradiction can thrive in turbulent times'. By the time any change programme is introduced it is important that those employees expected to handle the change are familiar with both the concept and any new working practices. People need more than a basic outline or plan. They need a rich vision of how the workplace will look beyond the change programme, and they need it at the beginning. Ideally employees should be informing the change themselves. Without this familiarity there is a real danger of widespread workforce rejection. Group Director of HR at the Department of Work and Pensions, Kevin White, told a recent CIPD conference that their experiences of strike action were because 'our staff have the perception that change is something done to them, not with them.'

As Weick writes in *Making Sense of the Organization*, 'retrospective explanations are poor guides to prospective action.' One respondent told the CIPD researchers, 'very little input was permitted from me, and I headed a major function.' The ideas behind any proposed reorganisation must be drip-fed into a workforce to enable learning and time for reflection in order that people can make sense of the change. Weick calls this process 'enactment'.

Further insights into the way that we as individuals first prepare ourselves, and then instigate significant changes in our personal lives have emerged in work on behaviour change processes for people attempting to rid themselves of food, alcohol and drug addictions.

Personal change

Psychologists James Prochaska and Carlo DiClemente observed that successful personal change involved five, sometimes six, stages. The first stage, precontemplation, is the stage at which an individual has not yet begun to think about changing. Second is the contemplation stage, in which people are collecting information about the pros and cons of change. Third, there is the stage of preparing for change and, fourth, there is the action when we begin to make the change happen. Finally, there is maintenance of the change which, for those who have overcome persistent conditions such as alcoholism, tends to be a lifelong phase. A fortunate few, however, may reach a sixth stage where the change has become routine, comfortable and accepted.

These stages are directly applicable to change management in the workplace. Crucial are stages two and three. If these are achieved through two-way communications, information-sharing and involvement, there are two significant advantages for steering groups charged with managing a reorganisation. Employees will have gained a strong understanding of the reasons, aims and strategies behind the change and, just as significantly, their involvement is likely to raise the kind of unseen issues that tend to be regular features of many programmes.

Interestingly, the CIPD's case studies are already highlighting how the more successful organisations have a clear, tried-and-tested, stepped process for planning and implementing a major change such as an acquisition, with employee involvement, for example, through opinion surveys, hard-wired in at key stages. John Ainley, HR Director at Norwich Union Insurance, explains that 'in the recent merger between Norwich Union and CGU, we were involved in planning right from the beginning. We were able to make sure that the senior management agenda did not just include mechanistic issues, but also cultural and personal responses to change.'

For all the modern rhetoric of employer branding and employee engagement, too many organisation restructurings are still implemented without due consideration for the effects on employees. As Lynda Gratton of the London Business School expresses it, the one big difference between human and the other forms of capital is that people have a memory and emotions, they seek meaning, they need to understand and to feel involved. Hopefully the CIPD's research will lead to a reassertion in UK boardrooms of the importance of such obvious but often ignored truths.

CHANGE IN THE HR PROFESSION

The rate of increase in change management programmes is symptomatic of the state of flux sweeping the public and private sectors. Although corporate merger activity has dipped in the past three years, it is now once more on the rise. Public sector change continues to be influenced by the forces of privatisation but is exposed additionally to politically inspired fashions for targets and economies, with the delivery of public service reform one of the top priorities for the present Labour Government. The fluctuating emphasis on certain performance targets such as hospital waiting lists and SATs test figures in schools exerts its own pressure for modification of organisational responses. Change is becoming a disruptive constant, for better or worse. (For details of the CIPD's research on change experiences in the public sector, published in *Delivering Public Services: Engaging and energising people*, visit www.cipd.co.uk/changeagendas).

HR management is experiencing its own changes as its evolution continues. Management issues are becoming increasingly complex, requiring multidisciplinary approaches and solutions. Other disciplines such as marketing and accountancy have skills which are becoming increasingly relevant and useful for the HR agenda. Most of the large consultancies now have HR-related businesses usually associated with measures and indices designed to link performance management strategies with bottom-line results. Human capital theories promoting the merits of investing in education and training to improve the stock of human ingenuity, know-how and ability have led to the development of measuring systems designed to gauge workforce improvements, usually linked to productivity gains.

The growing interest, both political and commercial, in linking performance management with productivity means that human capital management is becoming the byword for results-focused human resource management. A profession hitherto often defined by its activities, therefore, now finds itself moving inexorably towards one that must demonstrate excellence in human development, organisation, performance measurement and strategy.

While there is a continuing and, if anything, growing need for deep technical expertise in areas such as employment law, this does not mean, however, that all HR professionals should become narrow specialists or remain the loyal servants of one or two employing organisations across a career; quite the contrary, in fact. We are already seeing an increasing diversity of HR career paths emerging, involving more frequent movement between organisations and across different functions and sectors. More and more HR professionals have experience in project management and consulting roles, influencing and implementing systems across different organisational cultures. As the Organising for Success research is already showing, such experience and skills will be vital to the function's making an enhanced contribution to the successful restructuring of organisations in the future.

Reporting on human capital

The conversion from an administrative and operational focus to strategist and change agent will not be a matter of Damascene enlightenment, but it will involve a thorough appreciation of human capital management systems and theories designed to maximise and explain the productivity and financial impact of employees. The CIPD's work on the internal and external measurement and reporting of human capital management provides excellent support for those engaged in this transition (see *Human Capital: An external reporting framework* at www.cipd.co.uk/changeagendas).

Whether or not UK companies are attracted to the idea, they are going to have to respond to the need for HR reporting, employing relevant measures, as outlined in the recent Accounting for People report prepared by a taskforce chaired by Denise Kingsmill for the Department of Trade and Industry. People management strategies are moving into the spotlight of investor concerns. Investors are becoming conscious that, as companies increasingly divest themselves of their tangible assets, the intangibles, such as the combined know-how, expertise and commitment of a workforce become ever more important in estimating the value of a business. If a takeover, as in one recent case in the city, leads to the unintended loss of 75 per cent of the acquired staff, that is a significant destruction of human capital and future shareholder value, and investors should, and increasingly do, want to know about it.

The likely implementation in UK company law of Kingsmill's recommendation for employers to report on their strategies for human capital management in their annual report and accounts presents a golden opportunity for HR professionals to bring HR issues much more prominently onto boardroom and organisations' restructuring agendas, as is occurring already in a number of the CIPD's research case studies. What will the next big company that lays off thousands of staff after an aggressive takeover say in its subsequent report and accounts about its long-term strategy for growing value through people?

But the translation of the outputs of work and the effectiveness of their strategies for managing people and change effectively, in ways that can be digested by the investment community, is a significant challenge for HR practitioners. Not only that, but it can only be addressed with the skills and input of financial and auditing professionals. Some see a risk that the HR function will lose out in this work to other professional groups. Others think that it might have to 'sell out' on its fundamentally humanistic principles.

Facing the challenge

The HR profession needs to meet such challenges head on. It knows it has the range of skills to organise and implement sophisticated reward, recruitment, employee development and talent-management systems throughout an organisation. In order to succeed in leading organisational change, HR professionals will need to broaden their business experience and hone their skills in establishing and implementing change processes. As the Organising for Success research

shows, there is a huge opportunity for them to contribute far more and thereby improve the success rate of restructuring and change management initiatives. The challenge is for more HR professionals to develop the skills and influence, to exploit the opportunity in contributing to change management processes, and for the majority to follow the lead set by some of the organisations and their HR staff in the CIPD research.

If the conclusion from the academic research is that all but the highest tier of the profession can appear two-dimensional, the answer could be to develop a three-dimensional approach to HR management roles.

Progressive HR

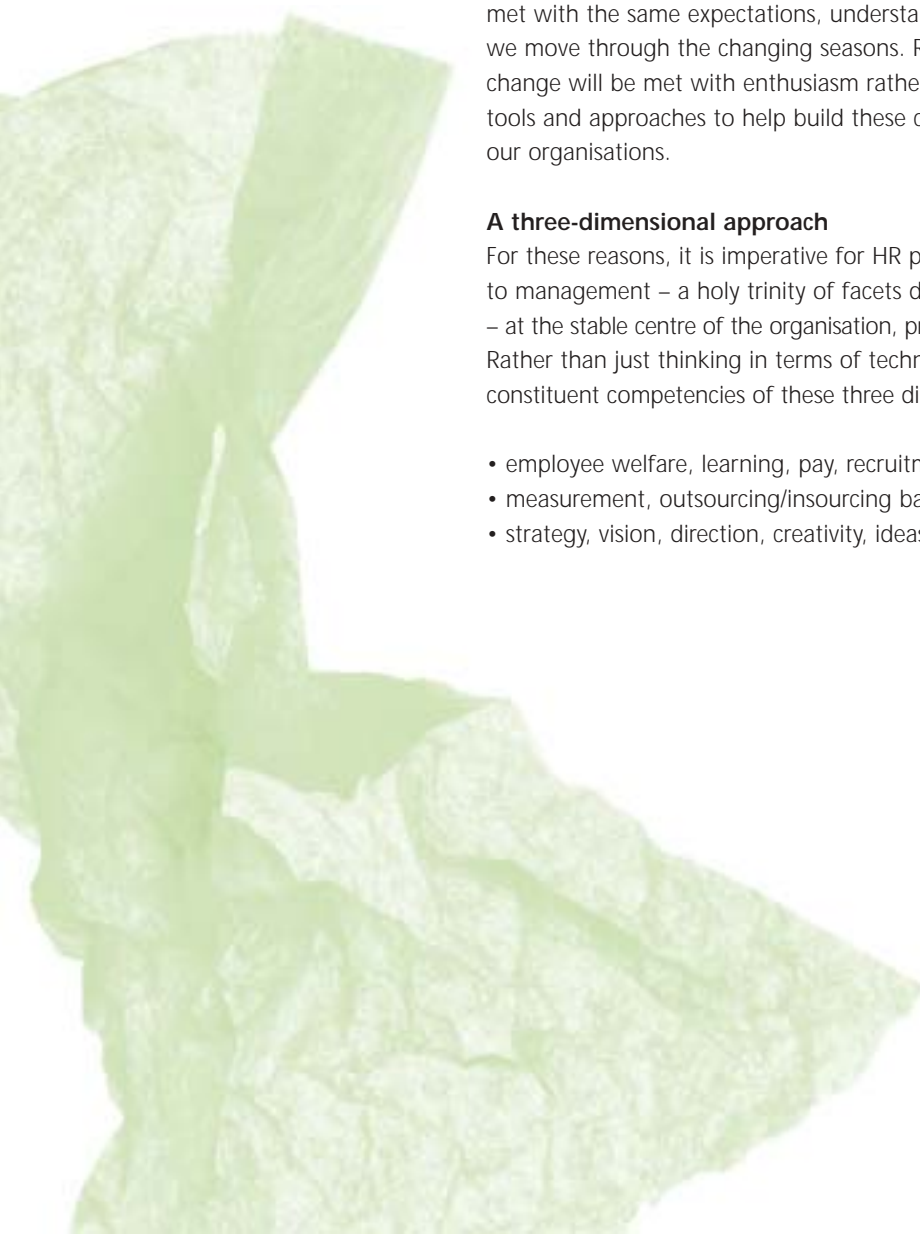
Before expanding this point, there is a further and more pressing need for the development of progressive HR in organisations. This has everything to do with stability and sustainability. The concept of sustainability, developed initially in the environmental lobby, is natural to the HR discipline. HR has everything to do with continuity and renewal, constantly refreshing organisations with the life-blood they need to sustain them in a fiercely competitive environment.

Organisations must embed this ability to renew themselves constantly so that change itself is transformed, from a series of initiatives into a vital organ of organisational life pumping with the steady regularity of a healthy heart. In this way the differences wrought by change will be met with the same expectations, understandings and sense of anticipation we experience as we move through the changing seasons. Reorganisation must lose its ability to surprise so that change will be met with enthusiasm rather than fear. The CIPD's project is all about developing tools and approaches to help build these competencies for regular restructuring and renewal in our organisations.

A three-dimensional approach

For these reasons, it is imperative for HR professionals to develop a three-dimensional approach to management – a holy trinity of facets designed to place the profession where it needs to be – at the stable centre of the organisation, providing vital guidance, advice and hands-on expertise. Rather than just thinking in terms of technical and strategic competencies, therefore, the constituent competencies of these three dimensions could be clustered in the following pattern:

- employee welfare, learning, pay, recruitment and workforce organisation
- measurement, outsourcing/insourcing balance, human capital management
- strategy, vision, direction, creativity, ideas – leadership.





These dimensions are progressive in their importance for HR careers the higher a practitioner rises. The third dimension builds on the second, which should be layered on the foundation skills of the first, essential for all HR practitioners.

For some years now, in common with other observers, I have been fulminating over the events and developments that mark out large-scale societal change. Arguably, historically, we can identify two such events. The first of these was the agrarian revolution 10,000 years ago when our ancestors began to establish settled agricultural communities in preference to hunter-gathering. The second was the industrial revolution in England beginning in the mid-eighteenth century. For more than 50 years now, various futurists and commentators have been suggesting that society is undergoing a third revolution, partly based on technology.

My own belief is that the changes we have experienced in the past ten years are no more revolutionary than those heralded by moving assembly lines and the mass production of cars, accepting that the transport revolution was significant in itself. But I should qualify that statement by saying: no more revolutionary *yet*. With the possible exception of employee-owned ventures such as the John Lewis Partnership and the Scott Bader Commonwealth, and large-scale co-operatives such as those in Mondragon in Spain, we have yet to discover a more effective way of transacting business than through corporations – public and limited companies.

The capitalist system has prevailed just as democracy is gradually replacing other forms of government around the world. Until we come up with a new 'ism' or, for that matter, a new 'ocracy', we must work with the structures we have. The Organising for Success study is largely seated in the 'boundaried' organisation and demonstrates that the most radical forms of 'new' organisation remain confined at present to pockets within and on the edge of our large employers. The boundary-less organisation is indistinct, partly, perhaps, because of its nature. But organisations without formal boundaries *do* exist, and the spread of Internet-liberated knowledge work into the home (homeworking is being used to a greater or lesser extent by virtually all of the CIPD's case study organisations), the airport lounge and the hotel is more significant than many are willing to believe. This is why I emphasised the 'yet'. If these changes cannot yet be described as revolutionary, in future we may well look back and view them as precursors to a transition on a scale approaching those epochal changes of the past.

From the days of Richard Arkwright, organisations have become increasingly adept at boxing work within walls. Much reorganisation, even now, is a game of musical chairs within defined parameters. The difference today is that the music never stops, the tempo is getting faster and the pressure to succeed is relentless. A major restructuring can add billions to the share price of a firm, as at DuPont, or knock billions off if it fails, as at Procter and Gamble.

Knowledge is changing

The other big difference is that the use of knowledge itself is changing dramatically. You could argue that all work is knowledge work. The turning of a plough, the hammering of nails, the building of bricks all require thought. Equally, there is no such thing as pure knowledge work. Even the most theoretical of mathematicians must put chalk to blackboard at some stage. But the ability to digitise information, almost in the way that energy itself is converted and reconverted, is transforming the way we think not just about our organisations and our work but also about our lives. The use of technology and its effects on organisations' structures is another important theme in the CIPD study.

This kind of transformation – societal transformation – is difficult to define as it happens. We need the perspective of history to appreciate such change. Such transformation tends not to be part of any grand plan. It just happens. But if we read the runes correctly we can help to create the conditions to smooth the transition. In many ways organisations have been doing just that unintentionally. From the moment Michael Hammer outlined the basis of his reengineering ideas in the *Harvard Business Review* in the 1990s, companies began to interpret his ideas in droves, typically stripping away layers of management – involving thousands of redundancies – to reveal leaner, flatter reporting structures. The revolution continues today, although the rawest downsizing among the earliest proponents has given way to 'rightsizing'.

The unintentional consequence of placing thousands, possibly millions, of career lifers – the organisation men and women described in the 1950s by William H. Whyte – into the informal labour market has been to create a groundswell of change. Let's be clear about this. Many of these people will not be agents for change themselves. The thousands of interim managers serving conventional organisations – often leading change projects – have been schooled in the twentieth-century organisational framework. Their thinking now, however, is informed not by the continual career but by the modular career.

The generation factor

In that sense, much of today's organisational change is becoming increasingly modular in its character. Projects are self-defining and connected by pragmatic thinking. But something else is happening and this has a generational basis. The generation that experienced change unwillingly is transferring the benefit of its experience to a younger generation that, as a result, is becoming increasingly individualistic in its outlook. While the war generations were influenced by the need for collectivism, the new generation is motivated by self-interest. The idea of belonging to an organisation is less appealing than subscribing to a brand.

Organisations that can demonstrate powerful employer brands – the BBC, Unilever (a participant in the CIPD's research), McKinsey, the Foreign Office, for example – will attract recruits not on the basis of their structure but on the basis of their reputation. Employer branding, what it means and how you create it was a strong theme at the CIPD's annual conference in Harrogate in 2003. At the same conference Gary Hamel spoke of the need for organisations to acquire resilience. The nature of this resilience in future will be related less to reporting structures and divisional models and far more to organisational culture, career experience, learning excellence, and reputation, coupled with a seamless ability for adaptation.

The HR profession stands at the very axis of these changing attitudes. Its understanding of human behaviour in the face of change could be crucial to ensuring that overall organisational change is synchronised with societal transformation. The debate over corporate, social and environmental responsibility is informing all human organisations about the symbiotic relationships that must exist between organisations and the world in which they operate.

The symbiotic organisation

So what will the symbiotic organisation look like? It will be stakeholder-aware, looking externally as well as internally, involving itself in the welfare of its immediate environment. It will be socially aware about the lives of employees and the way they relate to their communities. It will strive to ensure healthy balances of human input and output, work and play, innovation and production. Moreover, it will retain a strong awareness of the transactional in human relationships: the concepts of give and take and quid pro quo. Beyond all this, however, it will retain a sense of place, a sense of belonging and a sense of purpose. Interestingly, the CIPD survey *HR: Where we are, where we're heading* found senior HR professionals playing an increasingly influential role in their employers' corporate social responsibility activities.

To develop and sustain such qualities is a challenge for the future. We know that change will define the future. The question that those in the HR profession must answer is:

Do you have the skills, enthusiasm, support and direction, going forward, to present an unambiguous case for leading that change?

To make change happen it must first change itself.

The aim of the CIPD's Organising for Success research project is to equip HR professionals with the tools and influence for change management purposes, enabling them to impact successfully on the restructuring taking place within their organisations, identifying and delivering the required competencies of continuous change and renewal. The project seems to have made a successful start in doing so.



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