

Research report  
September 2014

The background of the cover is a blurred, black and white photograph of a large crowd of people, likely at a conference or event, moving in various directions. The motion blur gives a sense of activity and change.

# Landing transformational change



WORK



WORKFORCE



WORKPLACE

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The CIPD's purpose is to **champion better work and working lives** by improving practices in people and organisation development, for the benefit of individuals, businesses, economies and society. Our research work plays a critical role – providing the content and credibility for us to drive practice, raise standards and offer advice, guidance and practical support to the profession. Our research also informs our advocacy and engagement with policy-makers and other opinion-formers on behalf of the profession we represent.

To increase our impact, in service of our purpose, we're focusing our research agenda on three core themes: the future of **work**, the diverse and changing nature of the **workforce**, and the culture and organisation of the **workplace**.

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Our focus on work includes what work is and where, when and how work takes place, as well as trends and changes in skills and job needs, changing career patterns, global mobility, technological developments and new ways of working.



## WORKFORCE

Our focus on the workforce includes demographics, generational shifts, attitudes and expectations, the changing skills base and trends in learning and education.

## WORKPLACE

Our focus on the workplace includes how organisations are evolving and adapting, understanding of culture, trust and engagement, and how people are best organised, developed, managed, motivated and rewarded to perform at their best.

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# Landing transformational change

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## Acknowledgements

This report was written by Professor Julia Balogun and Professor Veronica Hope Hailey, with help from Ruth Stuart, research adviser at the CIPD. We would like to thank Julia and Veronica for providing such a depth of expertise on the topic. We are also grateful to the many practitioners who have shared their experiences with us and inspired the publication of this report.

# About the authors

Professor Julia Balogun and Professor Veronica Hope Hailey are both members of the University of Bath School of Management. Veronica is Professor of Management Studies and Dean of the School. Julia is Professor of Strategic Management and Associate Dean of Research. Julia and Veronica have worked together for over 20 years on issues to do with strategic change in organisations, combining their expertise in strategy and change, and HRM and change, to develop successful senior executive education programmes on delivering strategic change. They have also co-authored one of the best-selling textbooks on the topic, *Exploring Strategic Change*, for which the fourth edition is forthcoming. They were directors of the long-established Change Management Consortium, which was a collaborative research project examining issues of change and transformation within 12 different leading-edge organisations between 2001 and 2008.

Julia has a particular interest in how large corporations can be transformed to retain and regain competitive advantage. Her recent research has explored how multinational corporations achieve this through the adoption of new organisational forms. She focuses on the practice of strategy and strategic change, and how strategic activity is initiated and championed at multiple levels within organisations, exploring the strategising work of both senior executives and middle managers.

Veronica's most recent research has focused on employee engagement in general and trust and trustworthiness in particular. She has published a comparative report on engagement in China, India, The Netherlands and the UK for the Society for HRM in the USA. She is probably most well known at the moment for her three CIPD research reports written in collaboration with the University of Bath: *Where Has All the Trust Gone?* which was published in 2012; *Cultivating Trustworthy Leaders*, published in April 2014; and *Experiencing Trustworthy Leadership*, published in September 2014.

# Introduction

## Background to the research

Change remains a constant for senior executives in organisations. Furthermore, the complexities and difficulties of delivering change are well established, with failure rates frequently cited as high as 70%. These difficulties are compounded in cases in which senior executives wish to deliver new strategies to retain and regain competitiveness that require a transformation of their organisation. Transformation involves large-scale change affecting behaviours and more fundamentally the culture of the organisation. While there are many calls for organisations to be more flexible and adaptable, and facilitate the exploration of new forms of competition with the exploitation of existing profitable lines of business, this remains a difficult balance. Many organisations find themselves in a situation where they need to make some form of step-change as competition shifts.

More insightful senior executives understand the hazardous nature of organisational transformations. They recognise the need to invest in specialist resources, such as OD and L&D professionals, and in-house managerial capability to lead change, if they are to successfully deliver against their ever more ambitious change agendas. There is now a vast literature on transformation and more generally organisational change, with many different models and theories, and a proliferation of best practice advice

targeted at CEOs, senior managers, OD, L&D and HR practitioners. How do these executives navigate this advice to land transformational change? Of the many models, theories and advice, which are right? How do the OD, L&D and HR professionals with responsibility for initiating, advising on and facilitating transformation in their organisations know what works, where and why? These questions become more pressing as organisations emerge from the economic downturn and change management is once again on the agenda.

The 2014 annual *Learning and Development* survey<sup>1</sup> found that driving culture change is now the number one focus of leadership development activity for front-line managers and supervisors. This suggests that as the economy comes out of recession, organisations are moving from a period of forced change and retrenchment into a period of more proactive planned change opportunities. It is clear that OD, L&D and HR professionals have a key role to play in this process. The CIPD *Hacking HR to Build an Adaptability Advantage* report<sup>2</sup> recently explored how HR professionals in particular can be a catalyst for adaptability in organisations through building new capabilities that facilitate proactive change. While this is a welcome opportunity, fulfilling this role does place significant demands on practitioners.

*'The complexities and difficulties of delivering change are well established, with failure rates frequently cited as high as 70%.'*

<sup>1</sup> CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2014) *Learning and development*. Annual survey report. London: CIPD.

<sup>2</sup> CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2013) *Hacking HR to build an adaptability advantage*. London: CIPD.

In recognition of this challenge this report covers some of the latest thinking and innovative ideas in the field of change management that can help to land transformational change. There is often a gap between the latest thinking in change management and translation into practice in organisations. This report seeks to close this gap. It draws on a literature review of relevant and recent international material on change management, with a focus on the last five years, as well as key practitioner publications and relevant CIPD research. From this review it develops ten themes on transformational change practice to provide a platform of knowledge on designing, managing and embedding change essential for OD, L&D and HR professionals (Figure 1).

The context of this work is discussed below and each theme is summarised in Section 1. The report then describes each theme in turn. We summarise the findings and provide key questions for practitioners to consider in the concluding section. Key action points related to each theme are outlined in the Appendix.

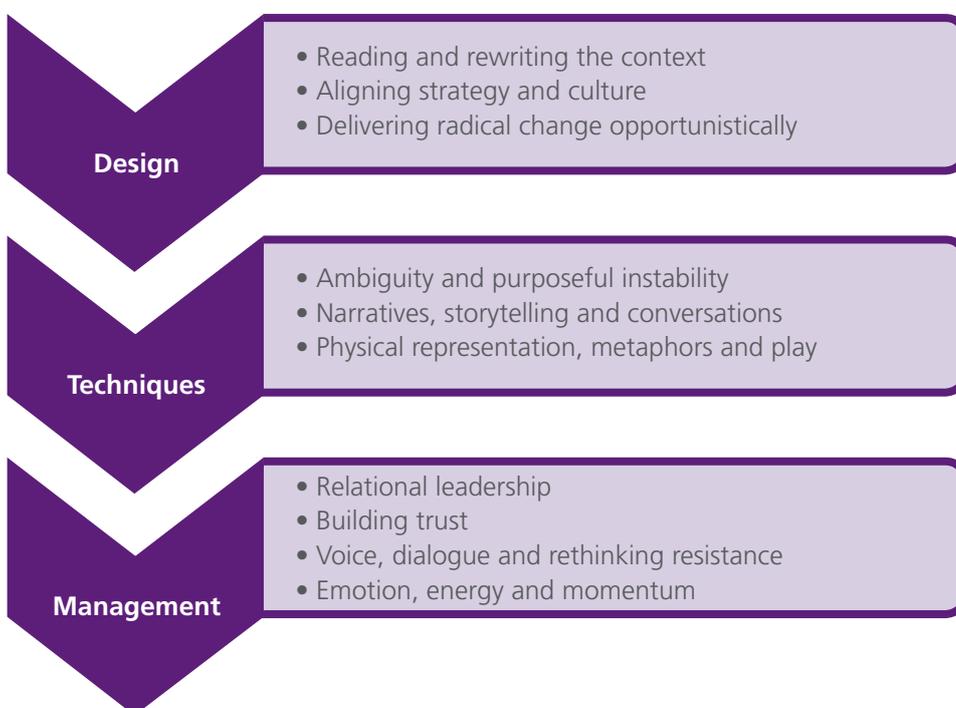
### The change landscape

The complexity of change and some of the issues that affect organisations attempting it were captured in a 2009 report from the Change Management Consortium (CMC)<sup>3</sup> written by Professors Hope Hailey and Balogun, and reporting on research in a consortium of companies between 2002 and 2008. Since most of the research was completed before the recessionary climate had

really taken effect, the report captures the state of play in the management of planned change. Thus it captures the knowledge base many organisations will be returning to and building on as they move from this recessionary climate of forced change into a period of more proactive planned and often transformational change.

The CMC report revealed a negative picture of change and change capability inside organisations. In terms of the organisational and senior manager contexts for change in the Consortium companies, the report identified a continued dominance of the use of a machine metaphor for conceiving of organisations when designing change. Emphasis was placed on hard aspects of organisations, such as structures

**Figure 1: The ten change transformation themes**



<sup>3</sup> BALOGUN, J. and HOPE HAILEY, V. (2009) *Final report of the Change Management Consortium*. London: CASS Business School, City University London.

and systems accompanied by communication and rhetoric, with little emphasis on the softer cultural aspects of organisations. Coupled with this was a persistent perception by senior people within the organisations researched that restructuring was the end point of change rather than the beginning. There was a continued emphasis on delivering performance-based turnarounds which focused on shorter-term profit and margin improvement, rather than deeper transformations which could address the more fundamental organisational issues underpinning declining organisational competitiveness. This focus on turnaround was potentially damaging to organisational health in the longer term.

Second there was evidence of a failure to learn about change at senior levels, since the senior team's membership changed constantly. Not all organisations had sophisticated OD or change management units. Disappointingly, when a return to competitiveness required the organisations to implement strategies that needed to be supported by cultural change, it tended to be spelled out in terms of a corporate rhetoric rather than being linked to the day-to-day behaviours and operational realities of the majority of the workforce. Senior teams found it difficult to link strategic thinking with strategic acting to effect change in behaviours and practices. In particular, they struggled to understand how to translate their strategic rhetoric into tangible implications for the organisation and the individuals in it. They seemed to lack tools and concepts that could help to translate this rhetoric into tangible organisational actions and behaviours that were meaningful to individuals beyond new structures and systems.

In Section 2 we outline themes to do with *designing* change that are relevant to these issues. These are:

-  reading and rewriting the context
-  aligning strategy and culture
-  delivering radical change opportunistically.

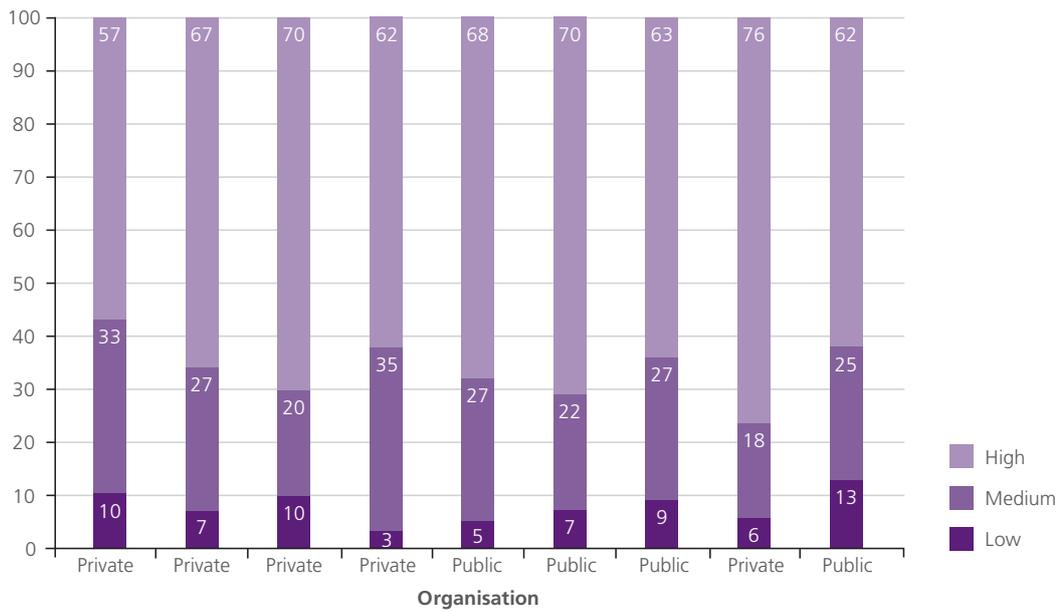
### Engaging the organisation

The CMC report also highlighted the criticality of engaging the organisation. The report identified that in large, complex and geographically dispersed organisations, middle managers are critical because they are more trusted by the employees than more senior executives. Figures 2 and 3 demonstrate this trust gap. This highlights the need for change leadership to reside at middle manager level and, therefore, for middle managers to be engaged in change if change is to be successful. Yet we found many organisations failed to engage these managers in thinking about how to roll out change.

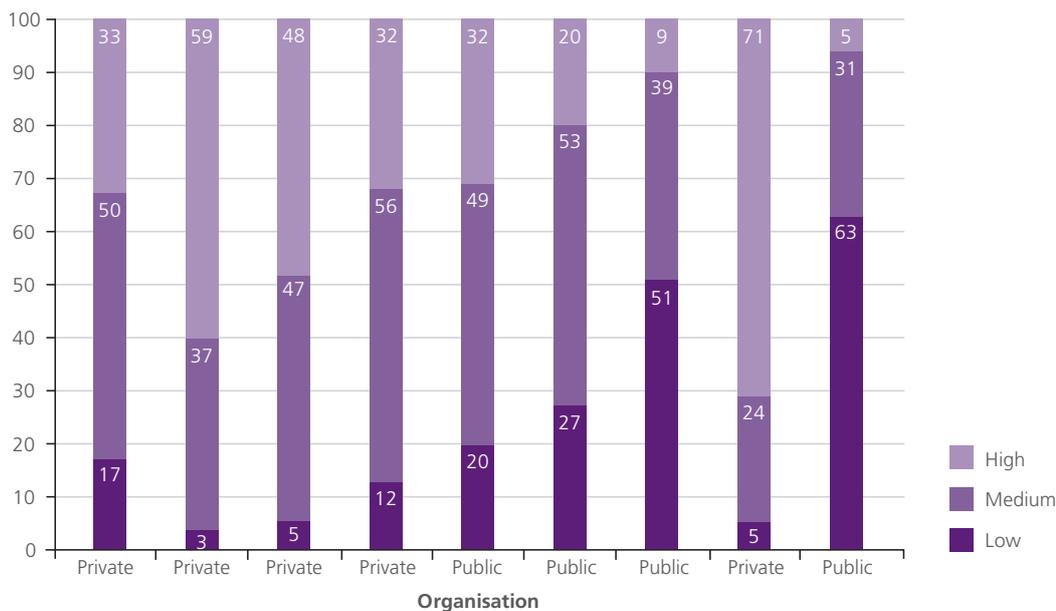
In relation to this, non-managerial staff reported that they found local change initiatives much more meaningful than corporate-wide change programmes, which need to be translated into local imperatives if they are not to be ignored. They felt disengaged from the wider organisation and senior management. Disengagement also occurred through cynicism of change programmes, many of which were not completed before the launch of new initiatives, some contradicting the ones that had preceded them. Time pressures meant that not all change initiatives could be supported and employees were then 'choosing' where to put their effort and which to support.

*'There was evidence of a failure to learn about change at senior levels, since the senior team's membership changed constantly.'*

**Figure 2: Trust in line manager scale (%)**



**Figure 3: Trust in senior manager scale (%)**



In Section 3 we outline themes to do with *techniques* for building understanding of the nature of change required. These are:

-  ambiguity and purposeful instability
-  narratives, storytelling and conversations
-  physical representation, metaphors and play.

**Change capability and capacity**

The findings from the CMC report set the scene for the challenge many organisations face as the economy emerges from recession. Investments need to be made in developing change capability at all levels and in developing OD, L&D and HR functions capable of supporting change. Particularly in large and geographically dispersed organisations, investments also need to be made in developing dispersed change leadership capabilities.

In Section 4 we outline themes to do with *managing and leading change*. These are:

-  relational leadership
-  building trust
-  voice, dialogue and rethinking resistance
-  emotion, energy and momentum.

# 1 Overview of the ten transformation themes

In this section the ten transformation themes identified are summarised.

## Designing the transformation

*What are the aspects in the design of change that can facilitate transformation?*

Some of the issues in transformation go back to the way change is conceptualised, and in particular

some of the issues identified by the Change Management Consortium, such as restructuring as the end point of change rather than the start point, a focus on turnaround and the struggle to translate strategic rhetoric into tangible actions and behaviours. Recent research on change points to three themes that have a resonance with not just recent thinking but older findings on aspects of design that facilitate transformation.

*‘Many efforts of transformation require a shift in culture, yet are simultaneously thwarted by old culture.’*

**Table 1: Designing the transformation**



### Reading and rewriting the context

Many organisations that wish to deliver transformation face aspects of context that make it difficult to do so. Leaders and designers of change need to be able to ‘read’ their context; evaluate it to identify aspects that hinder change. They then need to design change programmes which first put in place initiatives to rewrite or rewire their context in a way that overcomes the obstacles to enable the desired change.



### Aligning strategy and culture

Many efforts of transformation require a shift in culture, yet are simultaneously thwarted by old culture. For transformation to succeed, designers of change need to align strategic and cultural aspirations. Using the new strategic goals of the organisation as a starting point, they need to identify a new supportive and goal-consistent culture in terms of beliefs and behaviours. They also need to embed interventions to deliver this into the change programme.



### Radical change opportunistically

If, rather than expecting executives to demonstrate a shared mindset about the organisation and its marketplace, open discussion and debate is encouraged in the top team, this enables more proactive, opportunistic change to new business models as they become more relevant than old ones. Executives alert to opportunities for more fundamental change that flow from earlier smaller-scale changes can also exploit these opportunities to build these earlier initiatives into transformation.

*‘For senior and middle managers to lead change, and for others to buy into it, they need to understand the “implications for me”.’*

### Techniques for building understanding

*What are the techniques that can be used to foster understanding of the implications of change through an organisation?*

We next focus our attention on how organisations can move from strategic rhetoric to build an understanding of what transformation is about. For senior and middle managers to lead change, and for others to buy into it, they need to understand the

‘implications for me’ and what is being asked of them. Many transformation programmes involve the development of new labels or claims about the organisation. Such as, we will be moving from being an assembly line manufacturer to a high-tech service company. What does this mean for individuals? How will this change the work they do and the way they behave? Recent research on change points to three themes that are gaining currency in organisations and delivering results.

**Table 2: Techniques for building understanding**



#### **Ambiguity and purposeful instability**

Transformation can be facilitated if a change vision is ambitious yet also presented in ambiguous terms, with the deliberate intent of encouraging individuals to actively question and attempt to make sense of their situation. This may be associated with attempts by executives at ‘sensebreaking’, to challenge the status quo and create a break with the past, so creating a level of purposeful instability that encourages individuals to ask questions about what is needed to succeed in moving forward.



#### **Narratives, storytelling and conversations**

Narratives and stories can be used as devices to make the content and implications of new strategies easier to understand, enhancing individuals’ ability to translate change into meaningful actions for themselves. Storytelling may be extended by materials such as comics and cartoons, or theatrical performances to bring narratives to life. In addition, there are particular ways of structuring conversations about change that facilitate engagement.



#### **Physical representation, metaphors and play**

Use of objects, metaphors, symbols and pictures, maybe as part of playful design as an alternative to traditional and often rather dry change workshops, helps to engage individuals and to enable them to translate change rhetoric into meaningful change-related actions. Physical representations help people convert labels and slogans about the future organisation that often accompany transformation, such as high performance, authentic, collegiate, into new personally relevant attitudes and behaviours.

## Managing the transformation

*What capabilities should senior executives, OD, L&D and HR professionals leading and managing transformation develop?*

It is also necessary to consider the ongoing management of transformation. What are some of the principles underpinning the way change is managed? What capabilities do those leading and managing change need to keep the process on track and keep individuals engaged and moving forward? The exhortation to communicate, communicate

and communicate is not enough. Recent research on change points to four themes that are increasingly identified as central to successful change programmes, particularly as organisations become less hierarchical and employees less deferential, programmes imposed by senior managers are subjected to more cynicism and questioning. As information about businesses and employers becomes more accessible to employees via the Internet, leaders have to be prepared to share business data more freely in order to provide employees with a case for change.

*‘Recent research on change points to four themes that are increasingly identified as central to successful change programmes.’*

**Table 3: Managing the transformation**



### Relational leadership

Relationships are key to new forms of leadership. Rather than implementing change through authority and control, in new forms of leadership transformational change is achieved through negotiations and social interactions with organisational members. Since leadership styles set the scene for what counts in an organisation, individual leaders can achieve a lot by being a role model for others through their personal behaviours and attitudes. OD and L&D interventions can be designed to assist the development of such leaders.



### Building trust

High levels of trust will deliver the enabling conditions in which significant change can thrive. Change leaders need to emphasise their trustworthiness by demonstrating their competence to design change intelligently, and their benevolence and integrity in the way they attend to the needs of the business, the employees and the wider community. HR and L&D systems and processes designed and administered in a just and fair way help foster trustworthiness in the organisation.



### Voice, dialogue and rethinking resistance

In our more democratic workplaces, the actions of employees who raise concerns about change should not be labelled as resistance, but instead reframed and reinterpreted in terms of legitimacy of employee voice. It is through HR processes that promote dialogue and open two-way communication with employees, such as town hall meetings, forums for staff representations, focus groups, and so on, that designers of change can hear new ideas about implementation, help employees to make better sense of the change around them and, therefore, enable greater commitment to change.



### Emotion, energy and momentum

Change is an emotional process. The emotions experienced affect the way individuals respond and may relate to the change content, but also the nature of relationships with those managing the change. Emotional awareness by those leading and designing change is required to recognise the emotive precursors to action. Since transformation is a long-term process, for it to be delivered, those managing the change must also maintain levels of energy and momentum in the change process.

## 2 Designing the transformation

*'Change is a journey. Paying attention to organisational conditions will make the journey smoother, quicker and ultimately more effective.'*



### Reading and rewriting the context

*The theme of reading and rewriting the context to enable change encourages those leading change to evaluate their particular organisational context to identify blockages that extend beyond standard mantras, such as 'resistance', before embarking on transformation, and to design the transformation in phases, starting with interventions that reshape the context to facilitate change.*

The application of change formulae rarely work if the organisation's change context is not considered. Change requires context-sensitive approaches that are tailor-made to a particular organisation's situation (1). This requires those designing change to 'read' their context to understand what makes it unique or different, and to what extent the existing context will facilitate or hinder desired changes. 'Reading' is to do with the systematic analysis and evaluation of an organisation's context through asking a series of critical questions. It is questions about the levels of managerial capability within the body of the organisation for implementing the proposed strategy, or the level of investment in terms of time and money that will be necessary, or questions about commitment and loyalty to the leaders, or issues of diversity in different parts of the organisation and/or between different professional groups.

If change is set in motion without understanding whether the organisation itself is going to enable or disable change, efforts

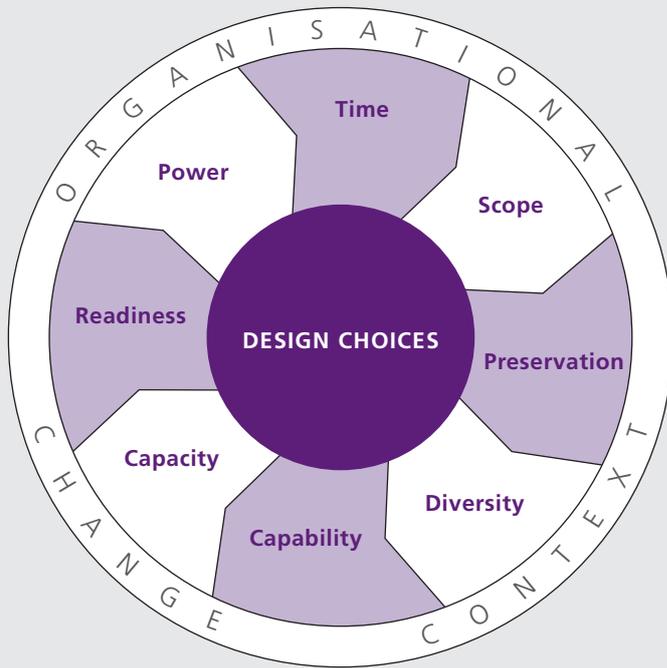
may not translate to results. 'Rewriting' the context is to do with building on the evaluation to put in place interventions to make the context more receptive. Change is a journey. Paying attention to organisational conditions will make the journey smoother, quicker and ultimately more effective. In addition, change leaders need to use their own behaviours to rewrite the context by role-modelling the change they wish the rest of the organisation to adopt. This links to other themes and, in particular, *Aligning strategy and culture*, and *Physical representation, metaphors and play*.

A framework (Figure 4) which brings together a consideration of many aspects of context to enable an evaluation of an organisation's context for change is the change kaleidoscope (1). It links an evaluation of context to an array of possible design choices, and in particular the change path, which is a concept that encourages those designing change to start with a first phase focused on building an enabling context for change.

A related concept is 'organisational change capacity' (OCC) (2). OCC is to do with the managerial and organisational capabilities that enable organisational flexibility and an organisation to adapt faster than its competitors (2, 3).

Numbers in brackets throughout the text refer to the references and additional reading that appear at the end of each section.

**Figure 4: The change kaleidoscope**



There are a number of questions that need to be asked about an organisation's change context. These are captured in the segments in the middle band of the kaleidoscope. Each segment represents a series of questions that, if addressed, can identify the extent to which this aspect of context will hinder or facilitate transformation. Transformation can then be designed (through design choices) in a way that builds on aspects that facilitate yet also rewrite the context to overcome those aspects that hinder.

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## Aligning strategy and culture

*Many company transformation programmes are thwarted by 'culture'. This can be due to a lack of attention to the accompanying cultural shift required for the new strategy and capabilities to be realised, or because not enough attention is paid to translating the rhetoric about culture change into tangible actions.*

'Culture' can be an intangible and fuzzy concept. It is often defined consistent with Edgar Schein as the set of basic assumptions shared by a group (7), although other definitions such as 'the way we do things around here' indicate recognition that these assumptions guide interpretation and action leading to certain taken-for-granted ways of behaving. The assumptions and beliefs are in turn manifested in a web of formal aspects of organisations such as structures and systems but also more informal symbolic and ritualistic elements (1). Those leading change often attach labels to the new desired organisational state, making claims about the new culture that should accompany the transformation, such as customer-focused, team-based and high performance. These labels can be as woolly as the concept of culture itself. Yet for transformation to take place there needs to be an accompanying and an aligned shift in the culture of an organisation towards these fuzzy future states if the new strategy is to be realised and the desired new organisational capabilities to develop. Culture change efforts need to be incorporated into execution plans (4).

For this to happen, specific attention has to be given to what the new culture 'looks like' in specific terms that extend beyond reference to new values and slogans. In addition, the rhetoric of culture change needs to

be translated into tangible actions and behaviours. These tangible actions and behaviours need to be centred on, and identified and reinforced through, key levers in HR and L&D systems to do with recruitment, training, communication, reward and recognition and performance management (2). These levers need to be supported through changes to the more informal and often overlooked aspects of organisations such as symbols, routines and rituals (1, 5, 6).

An interesting example is Southend-on-Sea Borough Council (SBC) (3). When Rob Tinlin joined as CEO, he committed himself to a cultural change programme known as the 'Inspiring Programme' to tackle inefficiency and cynicism as well as many other issues. This programme included cultural enquiry workshops linking different groups and levels across the organisation. At these workshops staff worked collaboratively to define the current culture and develop a shared definition and translation of the new culture. Tangible actions were developed through many HR-related interventions, such as writing change objectives into people's performance objectives. Other tangible actions included events to celebrate individual success and success at the organisational level, tracked by benchmarking against other councils.

Culture change requires sustained effort and investment over time. It is a marathon requiring significant stamina from those leading and managing change rather than a sprint (4). Furthermore, it is not a spectator sport. Everyone, from senior managers to the most junior employees, has to be on the pitch participating. It is the significant cultural element of transformations that requires long-term investment beyond restructuring initiatives to generate new ways of thinking and acting.

## References and additional reading

- (1) BALOGUN, J. and FLOYD, S. (2010) Breaking out of strategy vectors: reintroducing culture. *Research in Organizational Change and Development*. Vol 18. pp51–76.
- (2) CHATMAN, J. (2014) Culture change at Genentech: accelerating strategic and financial accomplishments. *California Management Review*. Vol 56. No 2. pp113–29.
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## Delivering radical change opportunistically

*Many companies leave change too late, undertaking it in the face of impending crisis. The corporate landscape is littered with examples of organisations that only embark on change once performance issues are obvious. Some argue for an approach to change that enables the co-existence of, and therefore a swap to, an alternative business model as competitive circumstances shift, or the use of early incremental change to open up opportunities for subsequent, more fundamental change.*

There are many arguments as to whether transformation needs to be carried out episodically once performance issues become evident, or whether transformational change can be achieved proactively. There are also arguments as to whether transformational change can be delivered through smaller-scale incremental steps or whether it needs to occur in a more dramatic and rapid fashion. While organisations that manage to evolve over time maintaining competitiveness without a significant decline in performance, or achieve transformation through many small steps, are not common, those that do so provide interesting insights for other organisations.

One study looked at 'strategic transformers', organisations that manage to change over time, consistently doing better than competitor organisations and without any significant performance dips, such as Cadbury's prior to its takeover by Kraft (1). They find that the establishment of different coalitions at the top of these organisations, with insight into alternative business models more suited to developing competitive conditions, may enable this ongoing process.

These organisations create a tradition of constructively challenging business as usual and exploit 'happy accidents' that point to the need for the alternative models to effect strategic change. Through such means executives are able to introduce new ways of working proactively rather than reactively, preventing the need for radical corrective surgery. The encouragement of discussion and debate at senior levels promotes a climate of openness and flexibility within top teams. With this group dynamic they are more open to new and unexpected opportunities and better placed to explore them than other teams.

Other studies find that transformation can develop in an emergent fashion as opportunities that present themselves from earlier, smaller-scale change are exploited. In other words, subsequent interventions amplify the earlier small changes leading to radical change (2). Tarmac, which produces construction materials such as rock, asphalt, sand, and concrete, and is involved in quarrying and other extraction processes, found themselves embarking on such a transformation. Change was initiated in the form of a health and safety change programme, required because of a poor safety track record. However, this health and safety programme led into something more fundamental as it opened up the opportunity for wider cultural change around senior managers to middle managers to employee relationships and working practices.

## References and additional reading

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# 3 Techniques for building understanding

## Ambiguity and purposeful instability

*Which is best? To deliberately build ambiguity into change to purposefully generate instability and encourage individuals to question and develop their own understanding of new situations, or to provide more clarity and certainty?*

Transformational change requires individuals in organisations to let go of the past and develop new understanding about the nature of their organisation and their role in it, and develop new ways of working through new practices and behaviours. There is a breadth of terminology and metaphor used to describe this process, such as Lewin's unfreeze and move, 'unlearning', or 'de-identification' and 're-identification' (2). Central to these concepts are questions of ambiguity. Is it best to give individuals clarity and guidance or to give them a broad vision and encourage them to develop their own understanding of what it means in their particular context?

Ambiguity can serve a number of purposes when it is intentionally used to *launch* strategic change (3). Whereas ambiguity that is due to executives not giving adequate consideration to what they mean by their slogans and exhortations to change is likely to sow confusion and cynicism, ambiguity by design is a tool that can be used to build active engagement and collaboration. Furthermore, large companies, particularly international companies, tend

to be very diverse. Visions which provide latitude for different stakeholders in different parts of the organisation to interpret and implement the vision in ways more consistent with their circumstances are more likely to achieve buy-in.

Modern business organisations are also becoming more participative. Deliberate ambiguity can help drive activities, such as workshops, which enable individuals to work through the implications of a proposed change, both for themselves and their part of the organisation. A good example of this approach can be found at Southend-on-Sea Borough Council (see *Aligning strategy and culture*) (1). The translation of change into meaningful actions becomes a local process, facilitated but not imposed by senior executives and tailored to be locally relevant and specific. Through such participative means the ambiguity gap is closed relatively rapidly, leaving individuals with clear goals and guidance.

The concept of 'purposeful instability' accompanies the idea of ambiguity by design since it encourages the questioning that individuals require to unlearn old ways of behaving and thinking. It has to be accompanied by sensebreaking (4), a challenge to the status quo from those leading change through evidence that things have to change and old ways of working are no longer sustainable.

Ambiguity is, and should be, a temporary state only. Something ambiguous does have to be

changed into something specific and behavioural so individuals understand what they are trying to achieve (3). So, for example, offering better customer service in a supermarket translates into opening more tills when there are long queues. Ambiguity and purposeful instability moves the translation into specificity away from the change leader(s) and out into the organisation. It connects to *Voice, dialogue and rethinking resistance*.

## References and additional reading

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## Narratives, storytelling and conversations

*People are storytellers. We naturally communicate through stories. In organisations they are an important source of information, shared at the coffee machine, over lunch, on the golf course and over drinks after work. New recruits are told stories about the organisation and its heroes (founders, senior managers). Through these they learn what the organisation values and the behaviours it expects of people. Narratives build on storytelling as the natural currency of human relationships and how people learn and make sense of things from each other and together.*

Traditionally, change narratives have been told by senior executives leading change to account for the need for change and what the organisation needs to change to. They are often of a heroic or epic form. Senior executives describe how a declining organisation will be returned to glory through a change programme, often with themselves as the heroes, taking the necessary actions to deliver the transformation. Whereas recent research on narratives and storytelling suggests something different. Narratives and storytelling are used as devices in workshops as an aid to help individuals understand new strategies, and through this enhance coping and emotional buy-in (1, 4).

The storytelling workshops often involve participants in active engagement with narratives, asking them to act out their stories. There is a move away from executives telling and others listening, to involving others in the telling and co-creation. The extent of participation of others varies. In some cases, executives translate their storyline into a set of

storytelling materials, such as fold-out brochures and story boards or maps, story walls, posters and comic books. These are shared in workshops and can be developed to incorporate stories of how employees are living the change as transformation progresses. Bayer MaterialScience in a change process started in 2010 used cartoons and characters which captured the past the organisation was moving away from and the future it was moving to, as part of storytelling to move the company to a vision to do with 'one business, one team' (5). The choice of cartoons was influenced by the fact that the vast majority of Bayer employees were non-English speakers. Illustrative messaging was important.

When combined with 'theatre', storytelling workshops involve the acting out of stories as a performance. Following a merger of car and truck dealerships in Brazil, Mercedes Benz wanted to realign their vision (2). To do so they created a culture change programme to do with identifying and promoting attitudes and behaviours for excellence in customer care. They developed workshops which combined theatre and personal storytelling. Individuals told stories and then a local theatre company translated these stories into a performance to encourage questions such as, 'How do you treat people?' And, 'How do you see people treating each other?'

Other research focuses on the structure of workshops over the change process, showing that there is a need for different types of conversation (whether through narrative and storytelling or other means) at different points in time (3). Change needs to start with initiative conversations (to build a recognition of the need for

change), and move through to conversations for understanding (agreeing what needs to be done), conversations for performance (putting in place actions) to conversations for closure.

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## Physical representation, metaphors and play

*Physical representations, symbols and metaphors are useful at two stages of transformation. First, as part of the up-front design to help senior executives and others involved to envision the new organisation. Second, to facilitate the translation of a new organisation into specific actions and behaviours by making a new culture tangible to individuals, providing it with a physical existence beyond shared descriptions and discussions.*

Culture is carried through, and experienced, in an organisation by a variety of propagation mechanisms. These mechanisms include both hard aspects of organisations, such as structures and systems, but also softer aspects, such as organisation symbols, stories, unwritten norms of behaviour and particular language. The removal of old and the creation of new symbols, stories, language and rituals to represent a new culture and remove representations of old culture that can be clung on to by those reluctant to let go of the past, should form a key part of any execution plans for a transformation.

Recent research, however, has also shown the utility of physical objects, such as drawings, objects, and prototypes, and the use of metaphors, in supporting the conversations individuals engage in as they attempt to envisage their future organisation (1, 7). These physical representations help individuals both to build a picture of the future organisation and to bring transformations to life. The introduction of serious play, often through the construction of models, into strategy workshops opens up debate and injects greater

interaction and discussion into what have traditionally been rather staid and dry events. The models form 'embodied metaphors', physical metaphors of what an organisation is and should be to compete successfully (2, 4, 6).

A popular technique is the use of lego bricks, or other such construction kits, to build representations of an organisation and its challenges as a way of surfacing the way individuals think about their organisation, their competitors and their customers (3). For example, a telephony company wanted to investigate the strategic implications of changes in its marketplace following an acquisition. The group's model portrayed the company as a castle, but a castle that was now under the rule of the empire it had been absorbed into. The model had many complicated features representing different aspects of the organisation that had implications moving forward.

An alternative is rich pictures, or group sketching (8). A rich picture is a co-drawn representation of an organisation on a single (large) sheet of paper, which enables those involved in its construction to share ideas, link themes and make connections. This can lead to a shared understanding of a complex issue. A rich picture may include any mix of, for example, sketches, cartoons, lines, arrows, boxes, phrases and symbols. These are effective for similar reasons to models. The visual nature facilitates discussion and, when used to achieve broad participation, they lead to wider ownership of the strategy and increased engagement. Individuals involved in drawing or modelling can also recall more easily the discussion, and remember the key messages for a longer period of time (5).

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# 4 Managing the transformation



## Relational leadership

*Arguably since the financial crisis there has been a shift in the popular perception of what constitutes a good leader. Three things stand out from recent research: leaders need to have a relational leadership style; they need to demonstrate humility; and they need to appear less celebrity-like, remote and elite, rather being more human and personally approachable.*

A relational leadership style is one in which the power of leaders resides in the existence of strong, sustainable, trustworthy relationships with employees as well as with external shareholders (5). This requires leaders to not only continually build relationships, but to do so by developing a 'relational mindset' which puts relationships at the centre of what leaders do. Research shows that relational leaders emphasise the need to physically 'go and meet' their teams and employees rather than staying in their head office ivory towers. Employees want to see their leaders in action, in order to judge their benevolence and integrity. By meeting their employees, leaders are able to hear and learn from them directly – an essential ingredient for creating a more collaborative and distributed style of leadership through which employees feel their opinions and voice are both heard and valued (1, 3).

The John Lewis Partnership (JLP) exemplifies this approach to leadership (3). Their leaders emphasise the need to learn from their staff: *'I'm always very curious*

*what's on their minds so I think it's fascinating to see the diversity of thought patterns from our staff. ... I really enjoy the intellectual stimulus of that kind of debate.'* Similarly, one JLP managing director described her job in the following terms: *'You're here on behalf of the people you lead. ... I feel really responsible for them.'*

This leadership style employed at JLP emphasises humility as an aspect of leadership and enables such leaders to position transformation as in the best interests of people in the organisation. This is precisely what JLP were able to do when announcing in 2009 their first job redundancy programme, 'Branch of the Future', in their 80-year history. Since the JLP executives position their leadership role in terms of themselves as servants for the business, despite the job cuts, the workforce were convinced of their benevolence and trust levels were actually increased.

Another aspect that has come through as being important in this new style of leadership is the ability of senior leaders to share their own vulnerabilities and personal stories (4). This makes leaders of change seem less like Herculean heroes and more like individuals who can empathise and understand the fears of the workforce when faced with the personal challenge of transforming their own values, attitudes and behaviours.

While the practices of individual leaders are very important, formal L&D interventions are also

important to the development of such leaders. The 2014 CIPD report *Cultivating Trustworthy Leaders* (3) examines some of the practices used to select and coach individuals capable of leading in a relational way. It found a significant emphasis on assessing not just the technical competencies required for the role, but on the 'whole person', their general demeanour both at work and at home and their values and attitudes towards society, as well as the organisation as a whole.

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## Building trust

*The role of trust in organisational change has received a great deal of attention since the financial crisis of 2008 and the subsequent economic recession. Since 2008 people have continued to feel less certain and unsure, as taken-for-granted assumptions about the motivations of iconic institutions and famous individuals have also been found to be dubious.*

Trust between various stakeholder groups within organisations has been shown to be a critical component of successful change. We also know that high levels of trust will deliver the enabling conditions in which innovation, problem-solving, knowledge-sharing and engagement will thrive within organisations. In contrast, too much distrust creates a reluctance to change amongst a workforce, or, at worst, dysfunction. To enable people to move to a state where they are willing to experiment or change, to take personal risks and start moving through transition, it may be necessary to increase people's propensity to trust. Three CIPD reports by Hope Hailey published in this area discuss these issues: *Where Has All the Trust Gone?* (2012) (2); *Cultivating Trustworthy Leaders* (2014) (4) and *Experiencing Trustworthy Leadership* (2014) (5).

Trust is defined as a psychological state where people are willing to take risks, to make changes in their behaviour or attitudes, because they believe that the person asking them to take that risk is fundamentally concerned about them and exhibits goodwill towards them on a predictable basis (1, 6, 8). In change terms, it is about the relationship between those who are being asked to

participate in the change, to make a personal transition, and those who are doing the asking, whether they are senior managers or local managers. As it is a relationship, it cannot be manufactured suddenly or bought like a commodity from a consultant. It builds up over time but can also be lost very rapidly when there is a violation of that trust. In change terms, this makes trust a very valuable asset.

Leadership behaviours can contribute to the creation of high levels of trust. This requires change leaders to emphasise their trustworthiness in two ways. First, they need to demonstrate their ability and competence to design the change intelligently. Second, they need to demonstrate benevolence and integrity in the way they attend to the needs of the business, the needs of employees and the needs of the wider community. If senior managers or line managers are trusted by the workforce, those employees are much more likely to embrace change more willingly than those employees within a low-trust culture.

We also know that HR and L&D systems and processes have been proven to make a critical contribution to creating a general climate for trust, and therefore a climate for change (3, 7, 9). How reward systems are designed and how people are selected for development or promotion sends signals about what really matters in an organisation. Put simply, employees interpret HR and L&D practices as signals indicative of the organisation's commitment to them as people. Therefore, the perceived justice and fairness of such systems are vital drivers of levels of trust.

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## Voice, dialogue and rethinking resistance

*Recent research has shown the importance of upward communication on the success of change and correspondingly the ability of senior leaders to listen to and honour that upward communication as a legitimate and useful form of information.*

Those involved in advising on and facilitating change need to understand the importance of both listening and engaging in dialogue with others. The reasons for this are two-fold. The first is that it is through the exchange of concerns and ideas that employees start to make sense of what is proposed and, in the process of making sense, become more engaged with the change itself. The second reason is connected to greater expectations of democracy in workplaces. Leaders and designers of change need to recognise that questions from stakeholders about change plans should no longer be simply labelled as ‘resistance’, but rather seen as legitimate questioning (2, 4).

Research shows that rather than attempting to suppress ‘resistance’ and contributions from others to change, it is better for leaders of change to engage and allow others to have a voice (3). Listening, dialogue and two-way communication is central to this, and facilitates the sensemaking critical to change (1, 6). This can be fostered through two broad channels. One is through the day-to-day behaviours and attitudes of individual leaders of change. The second is through the use of HR systems and processes that enable upward communication. These include, for example, employee engagement surveys or the use of social media.

Norton Rose, the City of London law firm, provides an example of the facilitating effects of voice (2). The firm sees itself as people-centred. Trust is considered paramount to both relationships with customers and employees. Its corporate values are ‘quality, unity and integrity’, but they were severely tested at the time of the financial crisis. As many other law firms were cutting jobs, the CEO at Norton Rose decided to take a different approach. The firm asked staff whether everyone would agree to share the pain and commit to more flexible working in order to save people’s jobs. This was to be achieved through an HR policy, ‘Flex’, which was put to the vote of the whole workforce. Staff were asked if they would take a voluntary cut to 80% of their job for 85% of their pay, either in the form of a sabbatical or as a four-day working week: 97% of staff agreed. In contrast to many of its competitors at that time, this consultative and democratic response to the crisis served to reinforce already positive relationships between all levels of the organisation.

Talking about and questioning the rationale behind transformation with the leaders of change helps people to find the answers to questions about how they will feel, who they will be and what their job will be like in the new organisation. In engaging in this dialogue, they are actually starting to engage in the change itself (4).

Senior leaders also need to recognise the critical role of dialogue between themselves and middle managers, given the crucial role that local middle managers play (1). In the many complex and geographically dispersed organisations that are now common, middle managers at local units may well be seen as

the senior leaders by their staff. Getting these middle managers on board, by listening and acknowledging their concerns and issues, is essential for senior executives if they are to avoid the risk that these middle managers may ‘jump into the trenches’ with the troops.

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## Emotion, energy and momentum

*Change is an emotional rollercoaster engendering both strong positive and negative responses. Transformational change is also a long march rather than a short sprint, requiring those leading change to maintain energy and momentum for change in the organisation if they are not to lose individuals as they drop out from weariness and overload.*

Change recipients do not automatically react negatively to change. They may also have positive emotional responses, such as enthusiasm, pride and excitement. Emotional responses are also not just related to the content of change. They may be related to the nature of the relationship with those leading change, or to the legacy of past changes (5). Perceived support and fairness can lead to positive emotional responses, whereas broken agreements, violation of trust and communication breakdowns can lead to negativity and even anger (3).

Emotion can be contagious, so it is important to pick individuals to lead and influence change who will create a positive buzz (1). Emotion also links to energy levels for change. Excitement and a (reinforced) sense of achievement are more likely to lead to ongoing engagement. Drawings as visual metaphors constructed in workshops can help to bring different emotional responses into the open so that they can be discussed, just as they can be used to help envisage the future (see *Physical representation, metaphors and play*). Such mechanisms can give groups voice. For example, in one organisation a team's feelings about change were captured in a visual metaphor of a 'dark tower',

which revealed strong, negative emotions regarding the change (2). When emotions are surfaced, acknowledged and treated with respect, people become more engaged with the change (8).

Research has shown middle managers to be particularly important to emotional balancing during organisational change (6). Middle managers facilitate change when they are emotionally committed to personally champion change projects and when they also attend to the emotional responses of their staff. Yet the emotional experience of middle managers during change is often underplayed. Consequently, this middle manager emotional work can be unacknowledged and unsupported with consequences for the organisation. One study explored emotion and change among middle managers working for a long-established UK unit within an international engineering company (4). These managers were required to cut half the jobs within the unit, which involved making several hundreds of their colleagues redundant. Here, the suppression of their emotions during the change process, and the little support they received from their head office, had a long-term impact on both the motivation of these managers and the motivation of the survivors of the cull.

Maintaining energy and momentum can be helped by techniques such as splitting the long march into manageable and measurable steps. It is also possible to use momentum maps in a change project to plot likely low points and consider how to avoid them and what measures to put in place to counteract them (7).

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# Conclusion

This report focuses on the increasing demand for transformational change programmes as organisations emerge from the recession and once more seek more growth and development-oriented opportunities. This places considerable demands on OD, L&D and HR professionals as senior executives expect them to provide the impetus and knowledge to make these plans possible. This report has drawn on an extensive review of recent literature on change management, and the knowledge of experts in strategic and organisational change, to

develop ten themes that capture some of the latest thinking on the practice of managing transformational change in organisations. These ten themes provide a platform of knowledge on designing, managing and embedding change essential for those leading and/or advising on organisational transformations. In particular, they generate a number of questions that OD, L&D and HR professionals should be asking about their organisations and their own skillset, and acting on, if they are to be successful initiators and facilitators of transformational change (see box 'OD, L&D and

HR professionals as facilitators of transformation').

This report also raises a number of questions regarding the practicalities of managing transformational change. To help address these questions the CIPD is conducting case study research, to be published in 2015. This research will share in-depth examples of how organisations have approached transformational change, to provide further inspiration and practical guidance to OD, L&D and HR professionals.

## **OD, L&D and HR professionals as facilitators of transformation**

Investment in change capability and capacity is essential for organisations that wish to have an ability to effect transformational change. OD, L&D and HR professionals are critical to this. Just as senior executives would expect the finance function in their organisation to be able to provide and execute expert advice on complex matters of corporate finance and financial strategy, so senior executives should be able to rely on their OD, L&D and HR professionals to foresee the need for, and provide expert advice on, change.

To help you meet this challenge here are key questions to consider which address how you build 'change readiness' in your organisation, develop your own change capability and that of the executives you advise.

### **What can you do to...**

- Develop your own change capabilities to deepen your role as a change management expert?
- Develop strong working relationships with senior executives around their change expertise?
- Build change capability and relational leadership skills into the organisation, and particularly in senior executives and middle managers, to create an army of change agents capable of leading change throughout the organisation?
- Build change capacity, and particularly trust in leadership, to facilitate future transitions?
- Encourage openness in debates and a tolerance of different opinions as to alternative possible futures for the organisation at senior levels?
- Align cultural aspirations with strategic aspirations?
- Facilitate linkages between strategic thinking and strategic action to translate planned programmes of transformation from rhetoric into tangible actions?
- Embed into conversations about change and transformation recognition of the role of interventions beyond structures and systems?
- Translate and embed change through the application of innovative techniques such as narratives, storytelling, purposeful instability and serious play?
- Maintain energy and momentum for change?
- Develop employee voice and reframe resistance as legitimate questioning?
- Embed learning about change and a corporate memory into the organisation?

Additional key action points can be found in the Appendix.

# Appendix: Key action points for practitioners

<b>Designing the transformation</b>	 <b>Reading and rewriting the context</b>	 <b>Aligning strategy and culture</b>	 <b>Delivering radical change opportunistically</b>
	Evaluate the organisation's change context	Recognise need for culture change in transformation	Tolerate tensions, open debate and differences in the top team
	Determine aspects of context that hinder desired change	Design new culture to support new strategy and spell out new culture in tangible terms	Foster constructive challenge
	Build interventions to reshape the context to remove barriers in the first phase of change	Embed interventions to deliver culture change into execution plans	Be willing to exploit happy accidents and opportunities
	Build organisation change capacity	Focus interventions on formal but also informal aspects of organisation	Grasp even incremental opportunities leading in the right direction, using them as a wedge to develop larger-scale change
Role-model the change			

<b>Techniques for building understanding</b>	 <b>Ambiguity and purposeful instability</b>	 <b>Narratives, storytelling and conversations</b>	 <b>Physical representation, metaphors and play</b>
	Build ambiguity and purposeful instability into the change initiation phase	In workshops develop shared change narratives which capture and develop a shared understanding of new strategies	Continue to represent any new culture through symbols, stories, language and rituals
	Use ambiguity to allow for diverse engagement with the vision	Use narratives and storytelling to help others translate new strategies into specifics	Use physical objects, such as drawings, objects and prototypes, to support conversations about the future organisation
	Use ambiguity to encourage questioning and participation in defining the future state in meaningful ways	Create storytelling materials such as story books, comics, cartoons and characters	Through techniques such as model-building and rich pictures, introduce serious play into strategy and change workshops
	Ambiguity by design as a temporary state: establish clear goals rapidly	Link to theatrical performance to bring change stories to life	



**Relational leadership**

See leadership as a practice and process based on establishing good relationships with all stakeholders

See leadership more as service to the business rather than as an exercise of individual power

Understand that people follow and trust leaders who they can relate to on a personal and human level, however senior or distant they might be



**Building trust**

Recognise trust as a valuable commodity in change management

Ensure that leaders demonstrate ability, benevolence, integrity and predictability in order to demonstrate their trustworthiness

Continuously monitor levels of trust through, for example, employee engagement surveys; invest in interventions to ensure that the 'bank' of trust is constantly renewed, such as HR and L&D practices that promote justice and fairness



**Voice, dialogue and rethinking resistance**

Understand greater expectations of democracy in workplaces: questions are legitimate, not 'resistance'

Recognise the value of two-way dialogue alongside top-down communication to help employees make sense of the proposed change in their own jobs

Facilitate dialogue and legitimise questioning through processes such as town hall meetings, web forums and forms of staff representation such as works councils



**Emotion, energy and momentum**

Recognise emotional responses may relate not just to change content but also to nature of relationships with those managing change

Bring emotional responses into the open and acknowledge them

Choose individuals to lead change who will create a positive buzz

Design the change process to maintain energy and momentum

Monitor and map change momentum and energy levels



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