

CORNELL HR REVIEW

CHANGE MANAGEMENT AND ORGANIZATIONAL EFFECTIVENESS FOR THE HR PROFESSIONAL

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Introduction

Hostess Brands, an American company established in the 1930s, specialized in baked goods including the long established Twinkies, Ho Ho's, and Wonder Bread. In November of 2012, Hostess management filed for bankruptcy, blaming the unions and workforce for the financial fiasco. While the organized workforce's unwillingness to bend to management's demands may have been a tipping point in the Hostess failure, it was clearly not the main issue. Hostess's unwillingness or inability to change over time was what really led to the company's downfall. According to Forbes contributor Adam Hartung, the "obvious problem was that leadership kept trying to sell the same products, using roughly the same business model, long, long, long after the products had become irrelevant."¹ . Points which should have invoked change for Hostess include: changing consumer tastes, nutritional considerations, and the reality that Hostess's product costs were higher than the prices that Hostess was able to sell the product for². Because change didn't happen, 18,000 jobs were lost and an iconic American business failed.

In today's dynamic business world, any change not managed correctly can strain HR's ability to help the business create and maintain competitive advantage. Human Resource professionals need to have the knowledge, skills, and abilities to not only adapt to change but to also identify when it's needed and how to successfully leverage such opportunities. According to the SHRM 2007 Change Management Survey Report, only 23% of companies had HR staff devoted full time to change management programs. This means that 77% of HR professionals who encounter change management initiatives will be dealing with change on an ad hoc or inconsistent basis³. This article outlines steps and strategies to lead the everyday HR professional to a higher level of agility and effectiveness through the change process. The primary steps outlined in this article are:

Assessment: Understanding organizational and employee readiness for change

Preparation: Setting the groundwork for the change process

Execution: Implementing and monitoring change and organizational development

Sustaining: Is sustaining and institutionalizing change the right answer

1. **Assessment: Understanding Organizational and Employee Readiness for Change**

Assessing organizational and employee readiness for change necessitates considering the timing of company programs, the speed of the plan, its duration, and the workforce's knowledge, skills, and abilities (KSA) to implement the approaching change. All of these factors can be considered the "hard issues" of change management which, if ignored, can lead to the premature breakdown of transformation programs⁴.

Timing: Timing will be a critical focus during change implementation. Common sources of timing issue include open enrollment, Kaizen improvement projects in manufacturing groups, companywide audits, annual trainings, etc. During times of transition, each of these situations can place additional strain on the workforce and company resources. Too much pressure can seriously affect the success of the change initiative. Change will inherently require more energy, focus, and attention from employees as they're asked to accomplish daily tasks while instituting the change initiatives. HR needs to identify any concurrent drivers which could apply additional pressures on the employees and business units. HR must be able to assess if the organization can handle the additional strain, or if the timing of the change initiative should be adjusted.

Speed: While timing is focused on when change will be implemented, the question of speed focuses on how fast the change needs to take place. For example, a medical device company might be the only company in its industry with FDA approval to launch a new device. Accordingly, the company would need to launch the device quickly in order to corner the market. On the other hand, a company implementing a cultural change would need more time and flexibility to incorporate those changes. If change needs to be implemented quickly, HR must have a clear plan in place so the company can move forward rapidly and effectively. In such a situation, HR should minimize the number of people involved in the change management process; the more people involved, the slower the process will be. Moreover, HR will need to encourage leadership to be very attentive to resistance. If the company limits involvement for efficiency reasons there is an increased likelihood that employees will feel ignored and fight the change process. Conversely, when speed is not such an issue, companies can consider broader employee involvement, to foster employee ownership and buy-in⁵.

Training (KSA's): According to the SHRM 2007 Change Management Survey Report, 44% of respondents listed insufficient time devoted to training as a major challenge of the change process. A company's failure to adequately prepare employees for change is critical, and HR must address this issue in the assessment stage, as it's almost impossible to correct later. There are three specific questions HR needs to ask. First, do we have the required knowledge, skills, and abilities (KSA's) to foster success in this situation? Second, what KSAs would enhance success? Third, what are the time and resource needs to make this training happen? With this information HR can move forward confidently that a lack of knowledge, skills, or abilities will not inhibit a positive change implementation.

As leadership and HR address each of these "hard" issues, they will have a clear understanding of the company and employees' readiness for change. Postponing change for as little as a month to avoid a particularly hectic time of year or to better prepare employees could largely increase a change program's probability of success.

2. Preparation: Setting the Groundwork for the Change Process

The assessment stage is a lot like identifying if a business has enough capital, cash on hand, and resources to move forward with a large expansion project. The Preparation stage is when the business is able to say, "Ok, we can do this; let's get started." Change management is like any worthwhile project; it needs to start early and the preparation needs to be done well.

Creating a Vision for Change and a Strong Leadership Voice: Management and HR need to clearly identify a vision for the change process. The vision should clearly highlight the: who, what, why, when, and how of the change process. When management attempts to build a persuasive vision for change they need to connect the change vision with the current identity of the company and the core values of the business. Leadership also needs to make sure there are

vivid descriptions of what the change and the future are going to look like. By doing this the vision will be more compelling to the employee population⁶.

By identifying and building the vision early, company leadership is able to buy into and represent the upcoming change effectively. Throughout the change process, it's critical for the workforce to see commitment to the change from management at all levels. If employees don't see that the company's leadership is supporting a project they're unlikely to change⁷. When management can show employees that change is possible and exciting, people feel empowered and are more likely to buy into the prospect of change and work hard to make it happen.

Unfreezing: The second significant point of the preparation stage is to "unfreeze" the current state of thinking about the organization and what it's doing. Most employees inherently don't feel that change is needed, especially if the business is doing well. Unfreezing is the act of highlighting the gaps that exist in the current model (i.e. the need for change) or focusing on the growth opportunities that the business could realize if the specific change takes place. By doing this, HR paints a different picture of the current situation and alters employee perceptions. The act of focusing on gaps or opportunities is called physiological disconfirmation and brings the workforce to a point where it can clearly see and agree that change is needed or beneficial⁸. This could also be looked at as reframing situations so people can look at them in a new way. "Framing is a mental window through which we view problems, solutions, or opportunities"⁹. By re-framing the business situation, employees can take a step back, understand the need and/or benefit of the change project, and make a mental shift and get behind the change.

Avoiding Resistance and Communication Strategies

According to the SHRM 2007 Change Management Survey Report, 76% of respondents listed employee resistance as a major hindrance to change, making it the most frequently reported obstacle followed closely by communication breakdown at 72%¹⁰. With these metrics in mind, it's clear that HR professionals must find tactics to reduce employee resistance and minimize the breakdown of communication before and throughout the change management process.

Comprehensive Communication Plan: Confusion is a lack of understanding among employees and usually occurs because management's message is not clearly presented. Ignorance is a lack of information and happens when there are not enough details voiced or employees are intentionally kept in the dark. When these situations occur, employees tend to tell themselves stories to fill in the gaps, and most of the time self-created stories are negative and inhibit the change process¹¹. Building an effective communication plan with information, dates, challenges, deadlines, etc. will diminish employee confusion and ignorance simultaneously. The comprehensive communication plan should focus on identifying and anticipating resistance, questions, and concerns that employees will have. By doing this, management can speak with confidence when communicating with employees about current or upcoming change¹². This confidence and clarity will help convince employees that company leadership is prepared for the future and the change can be a success¹³.

Part of the communication plan must address company culture and how it will be impacted. With each new change that's launched there's risk to the overall company culture. Employees often resist changes to a familiar culture. By making sure that HR communicates how the change will align with or enhance the current organizational culture, HR can eliminate potential employee fear. In addition, HR should encourage the leadership team to have a culture of communication within the team and with subordinates. One of the worst things that can happen for the company's culture is inconsistency in understanding. If there's a culture shift in one area of the company and not in others, this can create animosity, misunderstanding, and errors, which can hinder the

planned change process. By focusing on culture, values, and company ideology, business and HR leaders will better manage the challenging dynamics of culture during institutional change.

Picking the Right Messenger: Once the communication strategy has been developed, the HR team needs to identify the right messenger to communicate the change plan. Most times, the role of messenger falls to the CEO. However, this might not always be the best option. Research suggests that employees may use the positive or negative feelings they have about a messenger to decide whether the message can be trusted. Employees who feel loyalty, support, trust, and liking for a particular messenger have proven less likely to resist change. This finding has held true across multiple management communication approaches¹⁴. When employees communicate with messengers they trust and like, they're more likely to listen and accept change initiatives. It's not just important for HR to identify the right messenger at the top of the organization; HR also needs to implement an identification strategy aimed at recognizing leaders who are trusted and can act as change messengers at all levels of the organization¹⁵.

Give Them Voice: In addition to communicating effectively through the right messengers, HR needs to ensure, where possible, that employees have a voice throughout the change process. This doesn't mean that all employee ideas need to be implemented. However, management and HR should listen to employees and identify what ideas can be realized without inhibiting the change initiative. Employees frequently give management and HR a broader or deeper perspective into the effects of change. This information often helps the process be more successful in the short and long run. Also, by taking note of employee ideas and concerns, HR demonstrates that it values employee buy in and ownership. This also creates a greater sense of procedural justice for the employees throughout the change process¹⁶.

3. Execution: Implementing and Monitoring Change and Organizational Development

Execution of a change initiative can be exhilarating and stressful for the business leaders and the employee population. It's critical that HR approaches implementation with a structured and systematic method. Most of the vital steps in the assessment and planning stages must be repeated in the implementation phase. HR professionals must reduce resistance, encourage input, continue to focus on training and education, ensure effective communication, and ensure that the vision stays inspiring and consistent with the company culture as the business moves through the change initiative. However, there are additional areas that management and HR must act on to build employee confidence in the change, and employees' abilities to contribute to the change process during implementation. Those areas are expectancy theory, creating small wins, equity theory, and correcting direction.

Expectancy Theory: Expectancy Theory¹ is a critical motivation strategy that businesses need to consider during change. Throughout the change process employees must feel that the proposed plan is possible and that as the proposed actions are taken, it will lead to the expected results, which will be positive or beneficial. This must be a key focus during change. If the employees don't find value in the change or they don't think it's possible, they're less likely to apply the effort required to implement the desired change. Managers must evaluate, what's the perceived value.

¹ Expectancy Theory: It's the idea that a person's level of effort directly correlates with the expectancy that the desired results are possible and likely to happen. Expectancy theory has three primary factors: *Expectancy (E)*: If employee puts forth X effort, the employee feels he/she will obtain Y level of performance, *Instrumentality (I)*: If Employee achieves Y level of performance, it will lead to outcome Z, *Valance (V)*: If it leads to outcome Z, does employee want Z outcome and to what level does employee want Z (Hackman & Porter, 1968)

Small Wins: This concept centers on creating and highlighting early accomplishments, and therefore setting an expectation that success is possible. An example of small wins would be the case of Siemens Nixdorf Information Systems (SNI). SNI lost over \$350 million in fiscal year 1994 and was trying to deal with these struggles. In its quest to stem the financial losses, SNI hired new CEO, Gerhard Schulmeyer, who immediately instituted a culture change program. He assembled opinion leaders throughout the company to generate ideas, goals, and then created 60 action teams responsible for creating tangible results in the first 90 days. In May 1995, Schulmeyer held a “Results fair” in Munich where 12,000 employees were able to see what had been accomplished in the first 90 days of the culture change program. Employees were excited; Schulmeyer used the power of small wins to create motivation for his change program¹⁷. The best time to identify small wins is early and often¹⁸. By doing this, HR builds employee confidence and self-efficacy toward change. Small wins have a snowball effect, gathering momentum as they roll, and leading to greater confidence and profound results.

Equity theory:² Employees often try to alter a real or perceived unfair situation by altering inputs or outputs, telling a story about the situations (i.e. cognitive distortion), choosing alternative comparisons, or leaving the company altogether. During change, many companies revamp the compensation models and give out prizes and/or rewards for success. Because opportunities during change vary, some employees may come out more favorably than others, which could create discontent among employees. When businesses institute a change initiative, HR needs to consider the equity of the situation and how to brand it appropriately. If there’s inequality or even perceived inequality, employees may feel frustrated toward the change and mentally disengage or try to alter the environment to make it feel or be more equitable.

Correcting Direction: During the implementation stage of a change initiative HR professionals need to ensure that they instill a clear understanding that management encourages feedback and ideas throughout the change process. Many times, change initiatives derail because management and employees are so focused on the end results that they’re unwilling to change course even in the face of obvious obstacles. Correcting direction is an important part of implementing change and should be something the company is ready to embrace if adjustments are necessary.

The classic example of an organization failing to correct direction was the Challenger disaster in 1986, in which a NASA space shuttle exploded over the Atlantic Ocean, killing the entire crew. The primary issue that caused the explosion originated from the failure of the shuttle’s O-rings at low temperatures. These facts, and the extreme risks, were clear to some of the engineers, but the group norms were set and these norms made it hard to change the direction that the team was moving. Many people wanted to move forward and presented high levels of defensiveness against those who raised concerns. Because of strong defending of the current plan, engineers who knew about the O-ring problem backed down and said that “everything *should* be fine”... the rest is history.

4. Sustaining: Is Sustaining and Institutionalizing Change the Right Answer?

What is sustainability? What is institutionalization? If they are different, do the differences matter? The answer is clear; they are different and the differences are critical to the change management process. **Sustainability** can be viewed as - keeping a company from moving back to “old ways” while the change process moves forward. HR can help this happen by supporting the firm’s change agents (the people who are pushing the change program forward). If change agents

² Equity theory is about how employees view the equality of a situation. An employee will look at his/ her inputs and the resulting outputs in comparison to others and will ask the question, “Am I being treated fairly?” If the answer is no, employees may attempt to correct the problem themselves, which may bring negative results.

become burned out, they may stop encouraging employees and the program may lose momentum and falter. Establishing a support system gives change agents a place to vent, exchange ideas with other change agents, and gain an understanding that others are facing the same types of challenges. Most times, change agents need some level of psychological distance from the rest of the employees. It's critical that change agents have a place where they can be open and honest without reproach or retribution¹⁹. Creating a change agent support system is akin to reinforcing the foundation of a house that is holding everything else in place. When these change leaders are supported they're able to continue to sustain organizational change.

Institutionalization, on the other hand, encompasses the actions surrounding keeping changes that are effective in place after sustainability. It is defined as the process of initiating, executing, and managing change for the appropriate length of time. Institutionalization should happen when a company can identify changes that result in higher levels of competitive advantage

This highlights the importance of consistently reviewing change initiatives and continually asking the question, "Is this program still offering us a competitive advantage?" A risk of institutionalization is the loss of leadership attention and the subsequent depreciation of the value that the change holds. To avoid this, HR must keep a pulse on what is happening with change programs. HR must bear in mind the program's intended aim and assure the results are still moving toward that end. Furthermore, HR must ask if these expected results will align with the business model and larger organizational goals. If the change is no longer effective or no longer in alignment it needs to be reviewed, revamped, or discontinued.

How to Sustain/ Institutionalize Change: When a change initiative is successful and creates a competitive advantage, the question then is how to institutionalize that change for an appropriate period of time. Many of the steps highlighted in the planning and implementing stages are mirrored in sustaining and institutionalizing a change. These steps include: gaining high levels of commitment, reducing resistance, highlighting accomplishments, encouraging collaboration, training, communication, and appropriate incentive allocation to foster motivation. The biggest difference here is that HR professionals need to help the change initiative be seen as a norm, part of the business model, and not just a fad. This could require continual reminders so that old habits are broken and employees move forward with the new agenda.

Not every change is appropriate to sustain, let alone to institutionalize, but change is always happening. It's imperative that HR professionals develop and encourage a culture that's adaptive, dynamic, and open to change. As leadership and HR create a "change culture," where change seems the norm, the continued alterations will be less taxing, there will be reduced burnout, and employees will be more effective over time²⁰.

Conclusion Historically HR has faced business challenges and issues from a static approach. By mastering necessary stability processes, HR limits its ability to work in a change environment. The stable, day-to-day operations in HR will always be important and it's critical that they're done well²¹; however, to strategically enhance the business's competitive advantage, HR needs to master how to lead the change process now and in the future. To do this, HR needs to be effective at assessing the company and its readiness for change, set the ground work for the change to happen, move forward to implement change and monitor its progress, help to sustain momentum, and know when it is appropriate to institutionalize change in an organization. As this happens, Human Resource professionals will have the knowledge, skills, and abilities to not only work through change but also identify when it's needed and how to make it successful. ✎

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