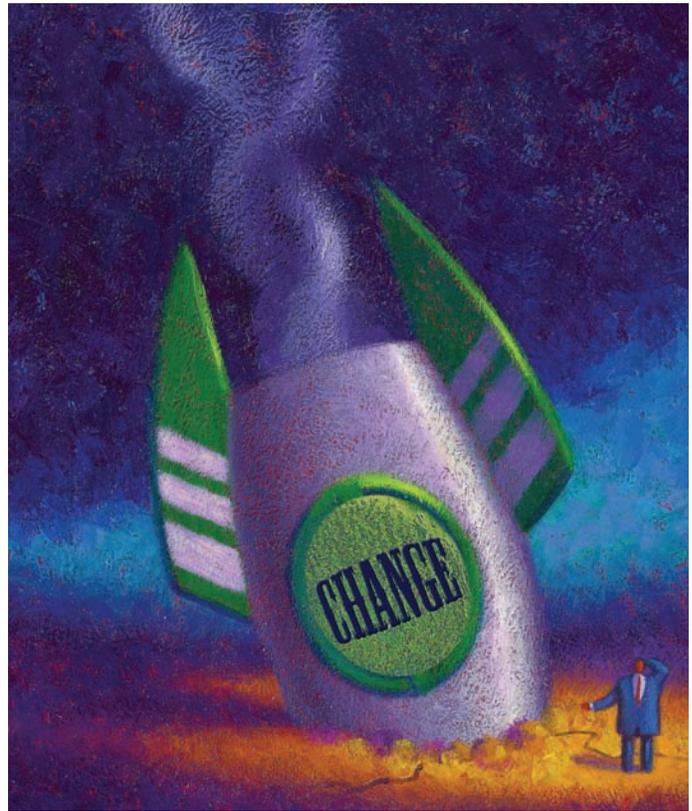


Why Do Change Efforts Fail?



What Can Leaders Do About It?

A recent study of large-scale transformations in public and nonprofit organizations shows how leaders can make change efforts work.

by James Edwin Kee
and Kathryn E. Newcomer

A recent study, published by the Center for Creative Leadership, reported that between 66 and 75 percent of all public and private change initiatives fail—a depressing statistic for those who seek to change an organization. The study identified a resistant organizational culture as the chief culprit.

We recently completed an intensive two-year study of large-scale changes in six public and nonprofit organizations, which focused on the roles leaders play in initiating and implementing change efforts. Our findings suggest that change efforts typically fail as a result of the shortcomings in change leadership, including the following:

- ◆ Insufficient advocacy for the change or failure to understand responsibilities in the change initiative
- ◆ Insufficient attention to the complexity of the change itself and the potential risks introduced by the change initiative
- ◆ Inadequate engagement of critical stakeholders affected by the change initiative

- ◆ Inadequate understanding of the organizational culture in the leaders' own organization as well as in the organizations networked in the change effort
- ◆ Inadequate understanding of the organizational capacity needed to implement and sustain the change.

Our research helped us identify strategies and tools for leaders entrusted with leading change and transformation initiatives to combat these potential failings. We offer a vision of leadership—transformational stewardship—that calls for leaders to balance the imperative for change with important organizational and stakeholder values, while ensuring that the changes made are in the general public interest. We draw from our work to offer guidance for leaders charged with stewarding public resources as they implement public- and nonprofit-sector change initiatives. First, we discuss the attributes of effective change leaders, or transformational stewards, and then we offer strategies for leading change efforts.

We have geared our efforts to assist all leaders of change efforts, including those with positional authority in their public or nonprofit organization and those who assume situational leadership roles in a change effort. Depending on the nature of the change, different types of managers may assume leadership roles, for example, the chief technology officer in an e-government initiative or the chief human capital officer in a pay-for-performance proposal. Middle managers play an important leadership role in communicating and translating change initiatives to their supervisees and colleagues across their organizations. We view all these individuals in a variety of organizational roles as potential change leaders.

Attributes of Transformational Stewards

Leaders cannot effectively initiate or implement change unless they are fully involved. We suggest a middle ground between top-down and bottom-up approaches to change, which we call “transformational stewardship.” Rather than focus on the level of the organization that should institute the change effort, this approach seeks to find the proper balance, with the organization’s leaders serving as facilitators of change. Sometimes, the top leaders in an organization need to make change decisions, especially when external environmental pressures and resource constraints do not allow for more employee involvement. In most cases, however, because change efforts in the public and nonprofit sectors are often completed over a longer time frame, more participation from all ranks in the organization can be cultivated. Dialogue among all levels of leadership should be encouraged, but not to the extent that the decision-making process is hindered and the progress of the change initiative is slowed or halted.

Transformational stewardship, our model of change-centric leadership, is a leadership function in which those exercising leadership have developed certain attributes that provide a foundation for their actions. These attributes reflect leaders’ personal outlooks or attitudes (their inner beliefs or values), how they approach a situation (their operational mindset), and how they involve others in the function (their interpersonal abilities and interactions with others). Table 1 shows the leadership attributes successful change leaders share.

Table 1. Transformational Stewardship Attributes

Outlook	Mindset	Interpersonal ability
Ethical Reflective, learning oriented Empathetic Visionary Creative, innovative	Public interest oriented Mission driven Accountable, transparent Integrative Meticulous Comfortable with ambiguity	Trust inspiring Empowering Democratic, participatory Delegating Coalition building

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U.S. Veterans Health Administration

A major strength of transformational stewardship is that leaders at all levels of the organization are empowered to address the lack of buy-in and resistance problems often associated with change initiatives. In our case study of the Veterans Health Administration (VHA), for example, leadership was important both at the top and throughout the organization. Dr. Kenneth Kizer was specifically hired as Under Secretary for Health to make changes in a tense environment where the very survival of the veterans healthcare system was in question. Kizer was a strong, visionary leader and a committed change agent: his political leadership skills proved critical in gaining the external support needed to move the agency from a hospital system to a healthcare system.

Kizer's VHA strategy was to get everyone to recognize that they were on a "burning platform" that needed immediate and systemic change. He created positive organizational energy and sought to tap into the priorities for change of key VHA staff members. He used a core group of 22 regional leaders as a change vanguard to guide the plan and achieve ownership of the change at the local level.

While noting that you cannot shift accountability from the head of the organization and that "at the end of the day, it is not an absolute democracy," one observer commented that it was important for Kizer and his successors to create a sense of shared leadership, common vocabulary, and collective accountability among all the key stakeholders; they accomplished this through widespread collaboration and sharing of mutual concerns.

Kizer shares the following keys to change: (1) value what is good in the culture (the focus on veterans), but change from a bureaucratic to a patient-centered approach; (2) involve all critical stakeholders and get buy-in for the new approach (one interviewee noted, "You can't take people somewhere they don't want to go"); and (3) hold people accountable through collaboratively developed performance metrics.

One of the major strengths of transformational stewardship is its ability to address the lack of buy-in and resistance problems associated with top-down approaches. The interaction between top leadership and various levels of employees creates a sense of ownership for those involved with the change process. Moreover, it requires leaders to build trust and collaboration among affected interest groups, users, communities, and potential partners and stakeholders. Leaders attempting to change organizations need to combine strategic goals from top leadership and tactical involvement by informed and knowledgeable members of the organization at all levels.

Strategies for Leading Change

Four critical leadership functions or responsibilities are critical in change initiatives: (1) diagnosing change risk and organizational capacity, (2) strategizing and making the case for change, (3) implementing and sustaining change, and (4) reinforcing change by creating a change-centric, learning organization (Figure 1). Effective change leaders must make a compelling case for the change and manage change risk to protect their organization and its stakeholders.

The leadership responsibilities for change do not always happen in sequence: they are interactive as leadership effectiveness in one area affects the others. For example, effective diagnoses of the change risk and organizational capacity help leaders in strategizing and making the case

Figure 1. Leadership Responsibilities in Public- and Nonprofit-Sector Change



N Street Village

N Street Village leader Mary Funke recognized that her church-led organization had to switch from a “God will provide” model of financial management to a sound business model where everyone in the organization felt committed to the financial as well as the service mission of the organization:

- She brought in an outside auditor to add credibility to her own analysis of the financial crises.
- She asked staff members to “suck it up” and do whatever is necessary, but she also provided funds for training to enhance staff capability.
- She engineered a modification in the makeup of the board of directors to bring in people who could provide the financial advice and fundraising necessary and asked all members of the board to increase their own involvement.
- She was a role model through her own financial commitment.

for change; creating a more change-centric organization strengthens leaders’ abilities in the other three areas.

Understanding Change Complexity and Risk

Changes often fail because leadership fails to fully understand or underestimates the complexity of the change, increasing the risk that the change will not yield the desired results. A number of factors can influence change complexity and the risks of change. For example, the change itself may be complex, many stakeholders may be adversely impacted by the change, the socioeconomic environment may be hostile to change, or the organization may have insufficient capacity to handle the change initiative.

Table 2 shows some of the chief risk factors typically involved in a major public or nonprofit change effort.

What can change leaders do to improve the outcome when they need to make a complex, risky change? First, they must diagnose change complexity and risk and assess how capable the organization is of coping with that complexity and risk. Second, they must create a strategy to deal with the risk. In the short run, this may mean lim-

iting the risk by reducing the scope of change or perhaps creating a pilot project. In the long run, it means creating a more change-centric, learning organization that is comfortable and adaptable in complex change situations. Third, leaders must implement their strategy and mitigate risks. Finally, they must continually reinforce the behavior needed to successfully address the change.

Communicating and Collaborating with Stakeholders

Stakeholders are the individuals and organizations that perceive they have a role in, or are affected by, an organizational change. This includes internal and external stakeholders (those located outside the organization undergoing transformation, usually including Congress, the executive branch, private interest groups, other governmental or nonprofit organizations, and citizens). In a multisector environment, private contractors to public and nonprofit sector organizations are also considered external stakeholders, but are becoming increasingly integrated with public employees in serving public purposes.

U.S. Coast Guard

Effective leaders do not underestimate change complexity. One of our case studies dealt with the U.S. Coast Guard’s Deepwater program, an effort to recapitalize all principal assets—ships, aircraft, and information systems—in a new “system of systems” configuration to provide greater interoperability among the assets. This effort involved every division of the Coast Guard and both capital and human resource systems.

The complexity of this change was exacerbated by the Coast Guard’s assimilation, with new responsibilities, into the Department of Homeland Security (after September 11, 2001). It chose to use a private-sector partner (a consortium of Northrop Grumman and Lockheed Martin) as systems integrator. This was a massive change in a turbulent environment, involving partners with different perspectives and challenging the existing culture of the Coast Guard. No surprise, the change effort has been difficult.

Coast Guard Commandant Admiral Thad Allen is pushing the service to “think more strategically” to address the complexity of the “system of systems” approach to change.

Coast Guard Rear Admiral Patrick Stillman, program executive officer of Deepwater, “was open to ideas and teaming with others and had the philosophy that ‘you get a lot done if you don’t care about who gets the credit.’”

Table 2. Risk Factors in Public- and Nonprofit-Sector Change

Factor	Description	Risk
Complexity		
Magnitude	Overall size, extent, and influence of the change in relation to the organization	The more people and organizational entities are affected, the greater the risk.
Scope	Impact on the organization's current culture, structures, policies, strategies, and processes	The deeper the impact is on organizational culture, structures, policies, strategies, and processes, the greater the risk.
Fluidity	Adaptability of the change initiative to the changing nature of the environment	The less adaptable the change initiative is to the environment, the greater the risk.
Stakeholders		
Perceptions	Gain or loss seen by internal and external stakeholders and the intensity of those perceptions	The more intensely stakeholders perceive their potential loss, the greater the risk.
Diversity	Range of conceptualizations of organizational mission, orientation, and worldview as a function of the size and variety of organizational units and purposes	The more diverse the organizational viewpoints and perspectives are, the greater the risk.
Sociopolitical environment		
Legal and policy mandates	Laws and regulations imposing changes or constraining changes in operations	The more rigid the regulatory constraints are, the greater the risk.
Economic trends	Resources to support change initiatives from budgets or taxes	The more vulnerable the funding is, the greater the risk.
Interface with external environment	Citizen trust or demands for or against change	The greater the public interest in the change is, the greater (or lower) the risk.

The key elements to be assessed regarding stakeholders are (1) the degree of diversity among them, in terms of profession, worldview, and mission orientation; (2) their perceptions regarding their potential gain or loss from the change initiative; and (3) the existence (or lack of) collaborative networks to facilitate communication among leaders and important stakeholder groups.

When leaders intentionally and consistently communicate their vision of collaboration to stakeholders through various formal and informal channels, they promote a shared vision that generates common, public interests and a level of trust. New collaborative synergies can be fostered that are critical to facilitating the implementation of even massive changes in ways of providing public services.

Leaders cannot afford to overlook the views and motivations of their staffs—their internal stakeholders—or their contractors and other external stakeholders. In the increasingly complex networks of organizations that sup-

ply public services, leaders pay a high price if they fail to secure stakeholder buy-in and collaboration from the outset when strategizing for change.

Learning how key stakeholders view the impact of change can help change agents develop their “common case for change.” For example, Kizer wrote *Journey of Change*, which became the reference manual for the staff. The document was disseminated throughout the organization to address internal stakeholder perceptions about potential gains and losses. The involvement of key stakeholders in developing the change strategy and in formulating the “domains of value” that would drive the change initiative provided the opportunity for collaboration, reducing stakeholder fears about the proposed changes.

Building Organizational Capacity

An organization's internal capacity to initiate and sustain a major change effort involves a number of aspects

and is affected by both human and material resources. Kaplan and Norton, for example, argue for the importance of “organizational capital,” consisting of leadership, culture, alignment, and teamwork in change efforts. In our analysis of organizational capacity, we have identified and defined the following key elements as necessary to facilitate major change and transformation:

- ◆ Organizational leadership, at the top and throughout the organization
- ◆ An organizational culture that values and supports change initiatives, reinforcing change-centric behavior
- ◆ Change implementation mechanisms—strategies, policies, procedures, structures, and systems—that support and are aligned with a change initiative

- ◆ Performance measurement—the use of performance data to inform key stakeholders about why and where change is needed, to focus on aspects of programmatic performance likely to be affected by the change, and to reinforce and reward intended outcomes of change efforts.

Within each of these areas, change leaders should go through the four-step process of diagnosis, strategy, implementation, and reinforcement to (1) better understand and mitigate the risks of the proposed change and (2) develop approaches to enhance the long-term change capacity of the organization. Table 3 provides an overview of each of the elements of organizational capacity.

Table 3. Elements of Organizational Capacity

Element	Description	Risk
Leadership	Leadership throughout the organization relative to the change	The more change-centric leadership throughout the organization is, the lower the risk. Ineffective leadership increases risk.
Culture	Norms and routines exhibited by people who work in the organization, which signal to employees what they should do, how they should feel, and what they should think about change	The more the organization’s culture supports innovation and change, the lower the risk. The more resistant the culture is to change, the greater the risk.
Change mechanisms	Strategies, processes, policies, and structures to initiate, accommodate, and support the change	The use of strategic management and explicit change structures to facilitate change reduces risk. The lack of such structures increases risk.
Performance measurement	Strategic use of performance measurement to facilitate change	The more widespread the use of performance metrics is, the lower the risk. Lack of a performance measurement system increases risk.

Fairfax County

The Fairfax County, Virginia, human services agencies, although previously recognized for quality service, had a traditional stovepipe approach to client intake, referral, and delivery of services: each agency acted independently on the basis of its own criteria, rules, and regulations. In implementing a quicker, more coordinated approach to serving the growing population, county leaders knew they would face organizational and cultural challenges. The redesign and implementation teams had to gain the support of social workers in the new Department of Systems Management for Human Services (DSMHS), staff members of other county agencies, and members of the community nonprofits. Not surprisingly, the organizational cultures of these entities varied widely.

The cooperation of the nonprofit service providers was especially critical in creating a meaningful multiservice access point for citizens, but their organizational values, norms, and work routines were not uniform. The DSMHS change leaders understood that while their individual stovepipe values were important to each of the participants, the development of complementary, systemwide, integrated values was at the core of the change effort.

Critical to the culture change in Fairfax County was the development of supporting change processes and measurement systems. Leadership worked with the staff to test data-driven performance processes to better align service delivery with demographic changes in the county. The traditional work environment and culture of social workers were based on face-to-face contact, but leadership introduced a centralized, telephonic, automated call center idea for client intake and referral, as well as the use of performance metrics, to ensure successful change in the coordinated service planning organization. A number of interviewees said that the metrics and data substantiating performance results for the call center facilitated organizational change.

Fairfax County DSMHS director Margo Kiely says that establishing trust is the key to organizational change. She accomplishes this by

- encouraging constant, clear communication and collaboration among all stakeholders;
- recognizing that “everyone is doing the best they can,” but that collectively we can do better;
- establishing a deliberative, democratic decision-making process; and
- creating a culture in her agency of expectations that all routines are open to rethinking. One member of the staff noted, “There are very few sacred cows in this agency.”

Addressing organizational culture, or the cultures within multiple organizations working together in a change initiative, is especially challenging, as the Center for Creative Leadership noted. Cultures that are more status quo oriented and resistant to change may present a significant challenge in leading change efforts. Leadership thus has a twofold challenge: in the short run, it must address potential obstacles to change; in the long run, it must devise strategies to make the culture more change centric.

Changing Employee Habits

If a leader is dissatisfied with the organization's existing capacity, what can he or she do about it? Much more than the right mix of incentives and controls is needed to change employee behavior. The key to culture change is changing the habits of employees in the organization by appealing to both their "hearts" and their "heads," as suggested by the strategies in Table 4.

Building a Cathedral

Leaders must continually reinforce what they want to accomplish. This means creating a reward structure and reinforcement mechanisms (such as performance measures) that support the sought-after behavior. In the long run, it means creating a learning organization that is comfortable with change. If this seems like a daunting task, it is. However, our case studies and the literature demonstrate that culture change is possible with good leadership, employee involvement, and patience.

An old but timely story dating from the Middle Ages and the Monte Cassino monastery of St. Benedict perhaps says it best. As told by George Gordon, a traveler came upon a group of three hard-at-work stonemasons and asked each in turn what he was doing. The first said, "I am sanding down this block of marble." The second said, "I am preparing a foundation." The third said, "I am building a cathedral."

Table 4. Strategies for Changing Employee Habits

For the heart	
Inspire	Create high expectations. Develop a shared vision for change. Model high ethical standards and work ethic. Walk the talk—model the desired behavior.
Involve	Involve employees and other stakeholders in creating the shared vision and in planning for the change. Create democratic structures to facilitate change.
Empower	Exercise power with (joint power) not power over. Encourage individual initiative. Make the necessary resources available. Unleash (but harness) the change vanguard.
Celebrate	Share the victories. Create small wins and momentum for change. Recognize individual and team contributions.
Serve	Enable others to do their jobs. Protect employees from outside interference. Be patient—commit for the long haul.
For the head	
Provide information	Inform employees of the situation. Be transparent in decision making. Bridge the stovepipes, helping people reach across divisions and dividing lines.
Clarify purpose	Simplify complex and ambiguous responsibilities. Make goals and objectives clear.
Encourage risk taking	Reward innovation and risk taking. Drive out fear. Celebrate successes and failures (as good tries).
Align incentives	Create a reward structure that supports the change. Communicate.
Require accountability	Determine what is important to measure for the change. Measure results. Provide timely feedback.

Sources: Kouzes and Posner (1995, 2003), Osborne and Plastrik (2000), Senge (1990), and Senge et al. (1994).

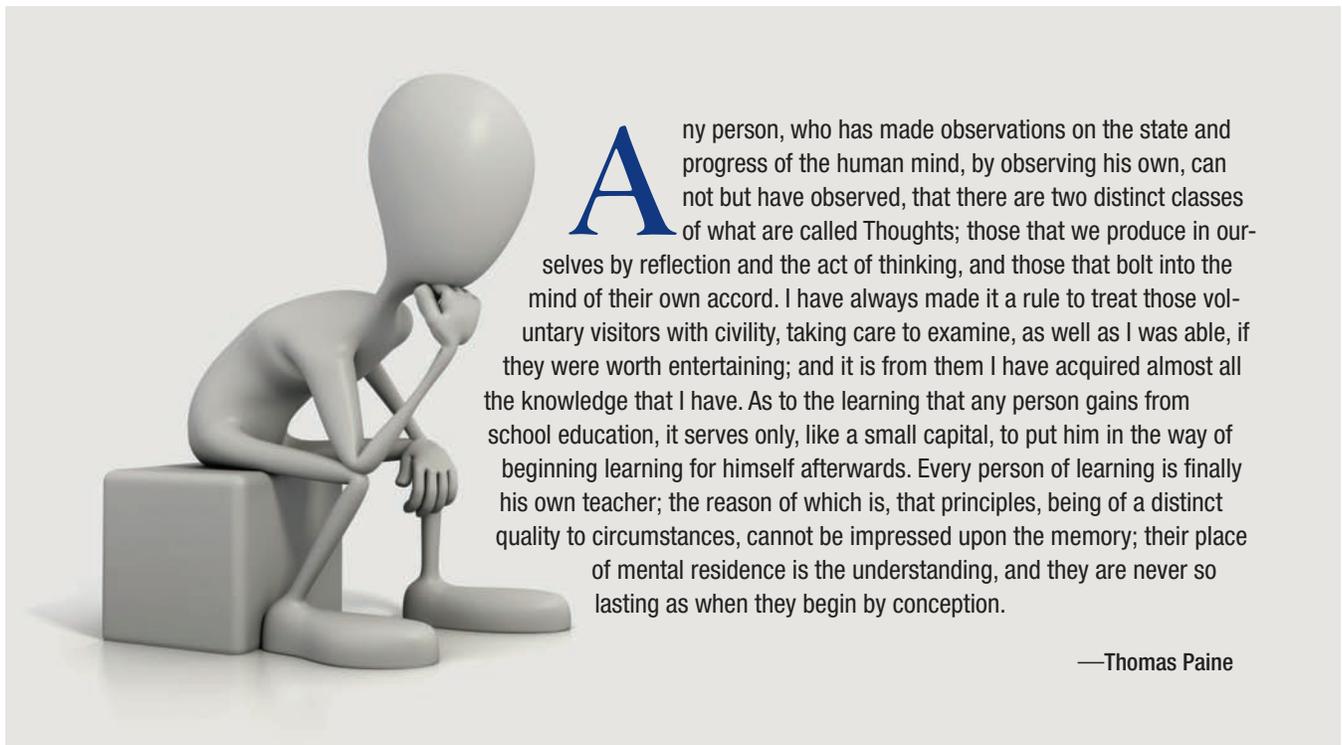
Effective stewardship of change is like “building a cathedral.” While organizations must pay attention to the details, the marble, and the foundation, leaders must inspire a shared vision of the cathedral they are building and thus appeal to the hearts and heads of the people doing the building.

Conclusion

Although many change efforts fail, large-scale public and nonprofit sector change is possible. Our case studies illustrate that leading major public and nonprofit change efforts is complicated, unpredictable, and risky. But, if done with the right amount of analysis and preparation, leadership can bring about successful change in the public interest. Our work is aimed at providing those leading change efforts with the knowledge, methods, and assessment instruments—leadership, risk, and organizational capacity—necessary to help them accomplish their change goals.

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