



Managing Strategic Transformation

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‘Change is the only constant’
Heraclitus of Ephesus

Introduction

Although written over 2,000 years ago, Heraclitus remains correct: change is a constant in life. This is equally true within organisations, where organisational adaptation and change programmes are recurring challenges. However, despite the importance of managing change effectively and the numerous books written, research conducted and management consultants employed, organisations frequently do not implement change successfully. Kotter (2007) suggested a failure rate of 70% and Balogun and Hope Hailey (2013) also referred to a failure rate of around 70%, suggesting that the implementation of change programmes has not really improved in 20 years. The complexities and difficulties of delivering change are well known, but how to effectively address these remains elusive.

Organisational change is an integral part of the strategic management process which involves significant analysis and insightful choices. However, if the strategies chosen by the senior management team are not effectively implemented, the organisation will not achieve its objectives. The depth of organisational change necessary as a result of a change in organisational strategy will depend on the divergence between the new and previous strategy, but irrespective the changes must be effectively managed to realise the benefits of the new approach.

Balogun *et al*, (2016: 4) describe strategic or transformational change as, ‘descriptive of magnitude in alteration in, for example, the culture, strategy, and structure of the firm, recognising the second order effects, or multiple consequences of any such change’. They continue, stating that strategic or transformational change typically involves a redefinition of mission and a substantial shift in goals. It is accompanied by significant changes in patterns of resource allocations, organisation structures and processes.

The aim of this article is to discuss some of the key issues in effectively managing the strategic transformation process within organisations. In particular, the article will discuss the following issues:

1. The problems associated with strategic change
2. The context for strategic change
3. Drivers of organisational change
4. Types of organisational change
5. Kotter's Model of Organisational Transformation
6. Bridges' Model of [Individual] Transition

1. The Problems with Strategic or Transformational Change

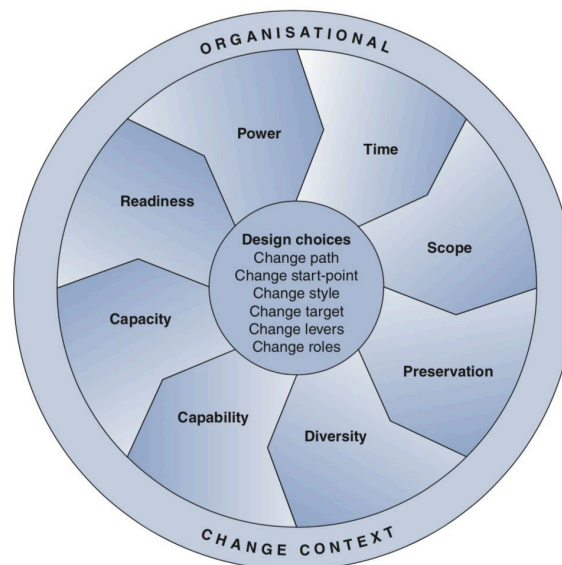
Balogun and Hope Hailey (2013) identify some important issues with the effective implementation of change. They describe how there is a ‘negative picture of change and change capability inside organisations’. Some of the specific concerns with change management programmes outlined in the CIPD report included:

1. Significant emphasis being placed on 'hard' elements of the organisation, such as structures and systems, with correspondingly little emphasis on the softer cultural elements.
2. A perception by senior management that organisational restructuring was the objective of the change programme rather than the beginning.
3. A focus on shorter-term profit and performance improvement, rather than deeper transformations which might resolve underlying organisational problems.
4. A lack of deep understanding of the change management process at senior management level, due to the level of turnover in the senior management team.
5. Senior management teams find it difficult to translate their rhetoric on change programmes into tangible organisational actions and behaviours to which front line staff could relate.
6. Middle managers are frequently not involved in the change management programme despite the fact they are key to its success as they are more trusted than senior managers, particularly in large and geographically dispersed organisations.
7. Non-management staff find local change initiatives more meaningful and can find it difficult to engage with organisational wide change management programmes.

2. The Context for Strategic Change

The transformation process inevitably occurs within an organisational and environmental context. In their book 'Exploring Strategic Change', Balogun *et al*, emphasise the context-sensitive nature of change, and the importance of constructing a strategic change management approach that fits the unique circumstances of the organisation. Balogun *et al* introduced the concept of the 'Change Kaleidoscope' as a diagnostic framework to identify the key contextual issues facing an organisational transformation programme.

The Change Kaleidoscope



Source: Balogun *et al*, 2016: 15

Context	Identifying Issues
Time	<ul style="list-style-type: none"> • How quickly is organisational change needed? • Has the organisation identified the need to change and transform well in advance, giving it time to prepare and plan? • Is there a crisis, where the organisation has little time and must push forward with little analysis and planning?
Scope	<ul style="list-style-type: none"> • What degree of organisational change is needed? • Is the required changes deep, for example, involving organisational culture and values? • Does the entire organisation require transformation? • Is the transformation programme limited to a single or limited range of SBUs, functions or countries?
Preservation	<ul style="list-style-type: none"> • What needs to be maintained within the organisation? • Which assets, characteristics and practices need to be protected during the transformation programme? • Will some elements of the organisation be initially preserved and later changed?
Diversity	<ul style="list-style-type: none"> • How diverse is the organisation? • Are there multiple subcultures within the organisation? • Are the different groups, departments and SBUs within the organisation relatively homogeneous or more diverse?
Capability	<ul style="list-style-type: none"> • What is the level of organisational and managerial capability to implement change? • Is there experience among management and staff of implementing transformation programmes? • Is there a need to obtain outside support using management consultants?
Capacity	<ul style="list-style-type: none"> • How much resources has the organisation to support the transformation programme? • Does the organisation have access to the necessary finance, people and time?
Readiness	<ul style="list-style-type: none"> • How prepared is the organisation for change? • Are employees and other stakeholders informed and understanding of the need for organisational transformation? • Are employees motivated to deliver transformational change?
Power	<ul style="list-style-type: none"> • Where is power in the organisation? • Is there a pre-existing level of managerial discretion and decentralisation? • Are there powerful stakeholders, such as trade unions or shareholders?

Design Choices

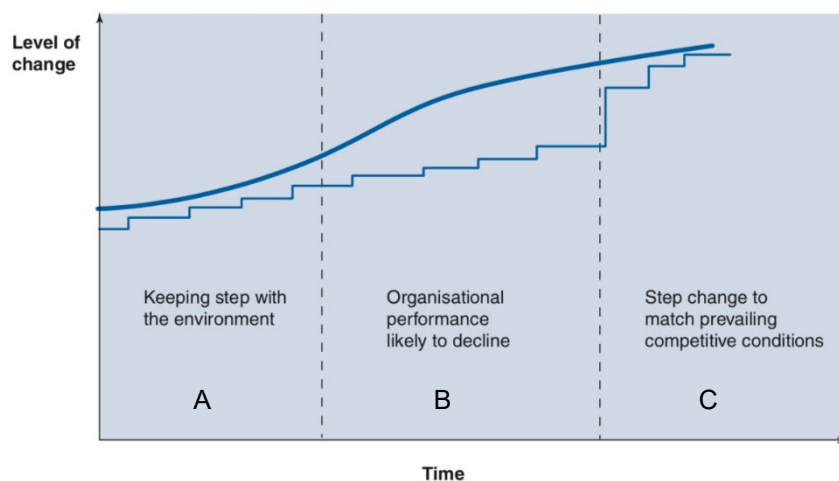
In addition to the context for strategic change, the 'Change Kaleidoscope' identifies six other key choices that need to be discussed and agreed by senior management in launching a change management programme.

1. The 'change path' outlines the nature and type(s) of organisational change required and the desired end result.
2. The 'change start-point' refers to the momentum for change and whether the change is driven 'top-down or bottom-up'.
3. There are a number of implementation styles from which senior management may choose. These 'change styles' range from highly collaborative or very directive.
4. The focus of the change management programme, or the 'change target', describes the organisational elements comprehended by the change management programme, potentially including for example, 'people's attitudes and values, behaviours or outputs'.
5. The 'change levers' refer to the range of possible interventions by the management and organisation to drive the change management programme, including technical, political, cultural and interpersonal actions.
6. The change management programme will require a variety of roles, or 'change roles', to be filled. The people in these roles will be responsible for driving the change management programme. There are many possible roles, including change agents, change sponsors, consultants, and so on.

3. Drivers of Organisational Change



As the diagram below illustrates, the environment in which an organisation is operating is constantly evolving. The environment describes the multiple trends and issues that evolve outside of the organisation: for example, technological developments, economic recession, political and regulatory decisions, and so on. The organisation needs to adapt to these changes over time, as illustrated in segment 'A' of the diagram, otherwise it will become out of date or less relevant, as illustrated in segment 'B' of the diagram. If the organisation that is in segment 'B' does not significantly change what and how it operates, it is likely to lose relevance and market share, and over time, fail. For example, segment 'C' illustrates that the organisation has gone through a form of transformation and has made significant changes to re-adapt to the prevailing environmental trends.

Punctuated Equilibrium Model of Change



Source: Belagun *et al*, 2016: 5

Where:

-  Organisational change
-  Environmental change

Therefore, to remain relevant and successful, organisations must constantly monitor their environment to ensure they remain up-to-date with consumer trends, technology developments, regulatory changes, etc. At the same time, organisations must also monitor their internal environment, including performance, resources, capabilities and culture, to ensure that these remain relevant and appropriate.

There can be no exhaustive list of trends or influencing factors to which an organisation may have to respond. The trends or influencing factors may be idiosyncratic to the sector or more influential at a certain point in time. That said, Nortier (1995) identify the following typical drivers of organisational change:

- Modification in the positioning of competitors
- Lowering of profitability
- Arrival of a new managing director
- Changes in customer and consumer habits
- Introduction of a new technology, a new legislation, a reform
- Restructuring plan
- Downsizing policy
- Setting-up of an accreditation process (eg ISO 9000)
- Internal reorganisation

- Company re-engineering
- Merger or alliance with a competitor
- Buying out a company, and
- Bankruptcy or liquidation.

4. Types of Change

Belogun *et al* (2016) describe four types of organisational change. These differ in terms of the required outcome, the extent of the change management programme and the timeframe for the change management programme. Belogun *et al* describe an organisational realignment as organisational change that does not involve a fundamental rethink of the organisation's assumptions, beliefs and business model. In contrast, an organisational transformation involves a redefinition of the organisation's mission, its business model, its culture and its related structure and processes.

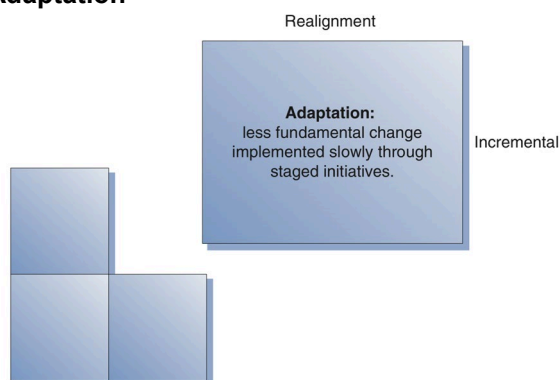
Types of Organisational Change

		End result	
		Transformation	Realignment
Nature	Incremental	Evolution	Adaptation
	Big bang	Revolution	Reconstruction

Source: Belagun *et al*, 2016: 23

It may be difficult to distinguish between an organisational realignment and a transformation, and the end result of change is better described as a continuum rather than as discrete. However, in general terms, a realignment has a greater focus on efficiency and profitability, whereas a transformative change goes beyond this to challenge the assumptions and beliefs of an organisation. The senior management team and other organisational change agents need to be aware of this distinction as transformations require a greater change capability and significantly more investment.

Adaptation



Adaptation is the most common form of change in organisations. It describes the ongoing, incremental changes necessary for an organisation to adapt to its changing external environment.

In this type of organisational change, the organisation builds on and develops its previous strategy and approaches.

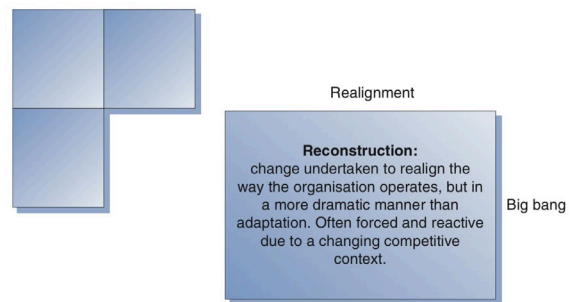
There is no significant change to where and how the organisation operates.

Reconstruction

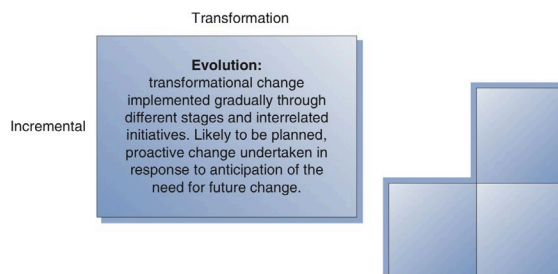
Reconstruction involves significant change within the organisation within a relatively short period of time.

In this type of organisational change, the organisation maintains its business model and culture but important operating approaches might change.

Reconstruction can involve a 'turnaround strategy' to address a crisis.



Evolution



Organisational evolution is perhaps the most difficult type of change. Evolution requires an organisation to continue to exploit its current capabilities effectively, while concomitantly developing significant new capabilities.

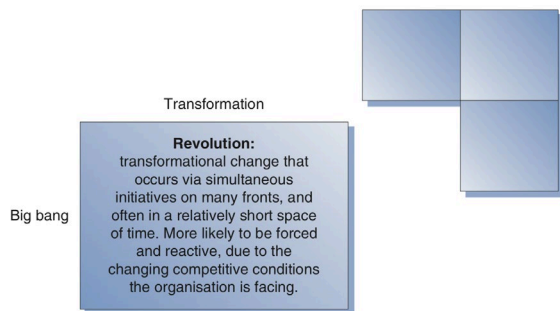
The motivation to pursue new directions may be limited as senior management focus on the existing successful organisation.

'Organisational ambidexterity' is required, where the organisation tries to balance the two conflicting objectives.

Revolution

Revolutionary change involves a rapid and significant strategic and cultural change in the organisation. The organisation needs to be 'reinvented'.

Revolutionary change tends to be reactionary and forced, for example, due to competitive pressures.



5. Kotter's Model of Strategic Transformation

Kotter introduced an eight stage organisational transformation process in his 1995 book, 'Leading Change'. Kotter (2007) argues that the 'change process goes through a series of phases', which typically require a considerable length of time to evolve. These phases need to evolve naturally and cannot be rushed nor skipped, as this undermines the entire transformation process. A critical mistake or omission in any phase can significantly impact the likelihood of the strategic transformation being a success. The eight steps he described are outlined below.

Stages	Key Characteristics and Phrases	
1 Establishing a Sense of Urgency	<ul style="list-style-type: none"> • Get people talking • Honest dialogue • Opportunities and threats 	<ul style="list-style-type: none"> • Enthusiasm • Energy • Undermine the inertia
2 Building a Guiding Coalition	<ul style="list-style-type: none"> • Critical mass • Dispersed around the organisation 	<ul style="list-style-type: none"> • Influence and experience • Change agents
3 Creating a Vision	<ul style="list-style-type: none"> • Clear and compelling • Emotional 	<ul style="list-style-type: none"> • Pictures not figures • Provides focus and coherency
4 Communicating the Vision	<ul style="list-style-type: none"> • Multiple media and fora • Behaviour to mirror what said... 	<ul style="list-style-type: none"> • Open and honest • Part of the 'everyday'
5 Removing Obstacles	<ul style="list-style-type: none"> • Identifying problems • Changing or restructuring obstacles 	<ul style="list-style-type: none"> • Targeted communication • Removing problematic staff
6 Planning for Short-Term Wins	<ul style="list-style-type: none"> • Planned, not coincidental • Maintain momentum 	<ul style="list-style-type: none"> • Evidence of progress • Celebrate success
7 Consolidating Improvements	<ul style="list-style-type: none"> • Re-energise • New, more challenging objectives 	<ul style="list-style-type: none"> • Avoid regression • New ideas and people
8 Institutionalising New Approaches	<ul style="list-style-type: none"> • Organisational culture • Embed 	<ul style="list-style-type: none"> • New becomes ordinary • Visible recognition

Establishing a Sense of Urgency

There is frequently a culture of inertia and even complacency in organisations, especially large organisations. If the organisation is to successfully progress through a long, complex and sometimes controversial transformation programme, it needs to have an initial impetus and enthusiasm to embark on the process. The CEO and members of the senior management team need to use trends, facts and figures to clearly communicate the need for the organisation to evolve. Without a persuasive rationale people will not cooperate or be motivated to support the process and it is doomed to failure. Kotter argues that this phase is more difficult than it appears, and that over 50% of the firms he studied failed in this first stage. Senior management need to be convinced and to lead the change, and around the organisation people need to start talking about the transformation. The sense of urgency can then build and feed on itself.

Building a Guiding Coalition

Successful transformation programmes are not just managed – they are led. It is unlikely that a transformation programme will be successful without the support of the CEO, but their support is not enough. No one person, irrespective of their organisational influence, can drive a transformation programme. Instead, Kotter describes the need for a 'Guiding Coalition' of people from around the organisation who are committed to the successful delivery of the transformation programme. The guiding coalition needs to possess 'critical mass'; in terms of numbers, positions, experience and influence. Once formed, this group will be the initial change agents who take ownership of the transformation programme and will continue to build urgency and momentum.

Creating a Vision

If stakeholders are going to commit to the transformation programme, they need to understand where the transformation is going. The organisation's senior management team and the guiding coalition need to develop a vision of the future for the organisation. The vision will need to be attractive and relatable and describe a clear and compelling statement of where the transformation programme is leading. It should allow people see for themselves what the organisation is trying to achieve and why they are being asked to do something (different). Without a vision for the transformation programme, the individual change initiatives developed become unfocussed and incoherent.

Communicating the Vision

The transformation programme vision will need to be communicated frequently and powerfully if it is to have an impact. There is a lot of communication 'noise' in any organisation. The senior management team and the guiding coalition will need to use every available forum and alternative media to communicate the importance and vision of the transformation programme. The transformation programme and vision needs to become part of everyday discussion within the organisation. They need to become a reference point for meetings, decision-making, performance reviews and so on. The organisation's communication strategy should also ensure that stakeholders' concerns and anxieties are openly and honestly recognised and discussed. The behaviour of senior management and change agents is an important opportunity to communicate the transformation programme vision: they need to demonstrate the behaviours and attitudes that the transformation programme demands of everyone. If they do not, the 'mixed message' will undermine any formal communication.

Removing Obstacles

Inevitably, the transformation programme will have critics and will meet obstacles within the organisation. There are a range of difficulties that may limit or slow the transformation programme implementation: for example, individual or group resistance; organisational structures or processes; and organisational culture. These obstacles will need to be addressed and removed or at least side-lined before they seriously damage the transformation programme. This may require targeted discussion with problematic individuals and groups, recruiting new people, changing organisational structures and processes, changing hiring and promotional criteria and even letting people go. Obviously, staff should be at all times treated fairly. Apart from the ethical and legal reasons for this, the organisation needs to maintain the legitimacy and acceptance of the transformation programme.

Planning for Short-Term Wins

As a result of their size and scope, transformation programmes will usually take several years to complete. It is very difficult for a transformation programme to maintain momentum and legitimacy for that length of time, at least without measurable performance improvement. In the absence of shorter-term performance improvements, stakeholders may become disillusioned with the transformation programme and become demotivated. Similarly, critics of the transformation programme may re-emerge and become emboldened. The senior management team and the guiding coalition will need to build into the transformation programme shorter-term objectives that they are confident are relatively straightforward to achieve: 'nothing motivates like success'. The senior management team and the guiding coalition can use the successful achievement of the shorter-term targets as evidence that the transformation programme is working and that the organisation is going 'in the right direction'.

Consolidating Improvements

The senior management team and the guiding coalition need to use the short-term wins and the achievement of interim objectives as an opportunity to consolidate and re-energise the transformation programme. The organisation needs to build on its early success to ensure that momentum is maintained. However, the improvements and changes made are fragile and can regress. There is a danger that the critics of the transformation programme will use the early successes to suggest that the transformation programme has worked and that the organisation can now relax and lessen its focus on the programme. To counteract these tendencies, the senior management team and the guiding coalition need to reinvigorate the transformation programme, establishing new, more challenging objectives and bring new people, with new ideas into the guiding coalition.

Institutionalising New Approaches

There is always the danger that change will regress unless and until people stop thinking about something as 'new' and instead think of it as simply 'the way we do things around here.' The senior management team and the guiding coalition need to embed the transformation programme and the changes in behaviour and attitude it has developed into the organisation's culture and 'DNA'. As stated by Kotter, *'Until new behaviours are rooted in social norms and shared values, they are subject to*

degradation as soon as the pressure for change is removed.' The organisation needs to change how and who it recruits and promotes to reflect the new reality and organisational culture. The senior management team and the guiding coalition need to ensure that management and staff are visibly recognised for their commitment to the transformation programme, and that as members of the management team move on or retire, they are replaced with people who fit and manifest the new organisational values and culture. The new organisation, and its culture, values, processes and structures should reflect the implemented transformation programme.

6. Bridge's Transition Model

The 'Transition Model' was developed by William Bridges and described in his book, 'Managing Transitions'. The model looks at change from the perspective of the individual and the process they go through as the organisation changes. The model contrasts change with transition, and can provide insight into individual resistance to change management programmes. Therefore, the model is not a change management model *per se*, but rather Bridges would describe it as a model to support individuals to transition, or adapt, to a new situation.

According to Bridges (2019), the difference between change and transition may be subtle, but it is important to understand it. Change is something that happens to people, even if they don't agree with it. Transition, on the other hand, is internal: it's what happens in people's minds as they go through change. Nortier (1995) contrasts change and transition as follows:

Change is	Transition is
<ul style="list-style-type: none">• Focused on expected results• External to individuals• Quite quick• Delimited in time	<ul style="list-style-type: none">• Psychological• Focused on a person's internal process (affects, feelings...)• Slow and progressive• Not delimited in time

A change can work only if the people affected by it can get through the transition it causes successfully. Bridge's Transition Model describes three stages of transition that people go through when they experience change:

1. Ending, Losing, and Letting Go
2. The Neutral Zone
3. The New Beginning

Bridges also however states that as transition is personal, people will go through each stage at their own pace. People who are comfortable with change and uncertainty will probably move to stage three relatively quickly, while others may find it difficult to move beyond stage one.

1. Ending, Losing, and Letting Go

Paradoxically, transitioning starts with an ending. According to Bridges (2019), this first phase of transition begins when individuals realise that they are losing something and they will have to learn how to manage these losses. These losses may include important relationships, familiar processes, team members or convenient and known locations. It is likely that individuals will feel strong negative emotions in this stage: including for example, fear, resentment, anger, denial, sadness and frustration.

2. The Neutral Zone

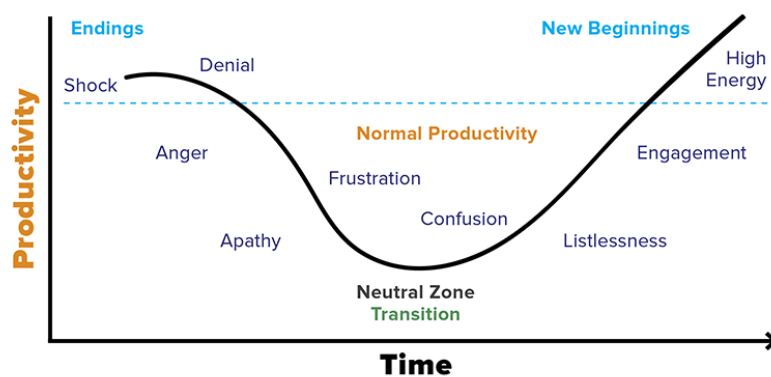
According to Bridges, the Neutral Zone describes a period of evolution: the 'old' reality is gone but the 'new' reality and sense of identity is not fully realised or understood. Nortier (1995) describes this phase as a period of crisis and confusion for the individual. This phase is associated with low morale and

reduced productivity. The Neutral Zone is where the individual's critical psychological realignments and repatterning take place. The individual is learning what their new roles will be and they are creating new processes, but it is confusing and still uncomfortable.

3. The New Beginning

The New Beginning phase arrives when individuals begin to accept their new reality. According to Bridges, this phase involves new understandings, new values and new forms of behaviour. A well-managed transition allows the individual to embrace the change, understand its importance and to contribute and participate effectively. This phase requires individuals to adapt to another logic, and to begin to build the skills needed to be effective. This phase is associated with high levels of energy, new commitment and an enthusiasm to learn.

Productivity and Transition



Guiding Individuals Through the Phases

Organisations need to support individuals through the transition process, not just 'manage' the change management programme.

1. Ending, Losing, and Letting Go

The organisation will need to understand that individuals' will inevitably have negative emotions as a consequence of any announced change management programme. People fear what they do not understand and management need to accept the reality of people's resistance to the change management programme. Management will need to give individuals the space and time to accept and 'let go of the old'. Education and open communication will be critical management strategies in this phase. Individuals will need to be reassured that their knowledge, skills and experience will still be important after the change management programme. The organisation will also need to reassure individuals that it will invest in providing the training and resources necessary to allow them to work effectively in the new environment.

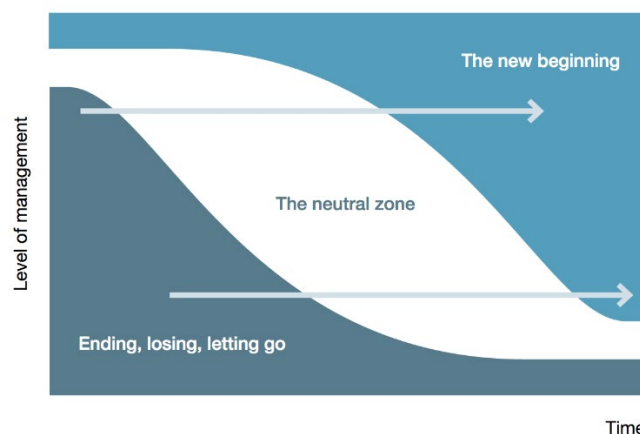
2. The Neutral Zone

The organisation will need to remain very supportive of the individual during this phase of transition. The change management programme can seem to drift, and it may seem that little progress is being achieved. Management need to provide guidance to individuals, giving them a sense of direction and helping them to focus on their, and the organisation's, goals. Management will need to provide ongoing feedback to individuals to reassure them on their performance. The organisation will need to set short term goals to improve motivation and to create the perception that progress is being made on the change management programme and that individuals are making a real contribution.

3. The New Beginning

The organisation will need to ensure that individuals are rewarded for their hard work and for evolving so far. It is critical that as individuals begin to accept and adapt to the new situation that they are supported in sustaining their progress. Management will also need to ensure that individuals' goals are congruent with those of the wider organisation. The organisation will need to be aware that not every individual will transition at the same pace, and those that have not been able to fully adapt still need the time and support to complete the transition.

Management Involvement Over Time



Three Key Questions

Bridges identifies three simple questions that organisations need to be able to answer to ensure that the changes proposed, and the anticipated outcomes are clear. In a recent article, William Bridges said; 'It still surprises me how often organisations undertake changes that no one can describe very clearly.' He poses these three questions to address the lack of clarity:

1. What is changing?

The organisation is frequently unclear about proposed changes, and can only describe them in generalities. According to Bridges change leaders need to be able to describe the change in a clear simple statement that can be expressed in under one minute, without jargon and linking it to the drivers that have made it necessary.

2. What will actually be different because of the change?

Bridges believes that frequently change management programmes are conceived at such a high level in the management structure that management do not understand the impact on departments, jobs and individuals. While the change management programme may seem coherent to senior management it may appear abstract and vague to lower level staff, until more concrete differences become clear.

3. Who's going to lose what?

According to Bridges, transition management is about seeing the situation through the eyes of the other person. Because transition starts with a loss, transition management is a perspective based on empathy. If change leaders cannot provide this, and therefore deny individuals the sense of loss and the need to 'let go', they are undermining the likelihood of effective transition and therefore a successful change management programme.

Conclusion

Organisational adaptation and change programmes are recurring challenges for organisations and for the managers and staff who work in them. The failure rate of change programmes is very high, in spite of the considerable amount of research, the development of change management models, as well as the availability of change management consultants. This article addressed some of the key issues in the transformation process. It outlined the important contextual elements in the transformation process and the need to understand both drivers of change in the organisation and the nature of the change required. The article also described Kotter's Transformation Model, perhaps the best-known change model, as well as Bridges' Transition Model, which is aimed at an individual's transition to the new from the old, and therefore addresses the level of resistance to the transformation programme.

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