Dimensions of Organizational Change Management - Part Two

Applies to:

Organizational Change Management in the context of SAP/ES Implementation, Upgrade or Global rollout.

Summary

Alignment is a core competency of any change initiative. We discussed redefining Process, Adoption and Alignment of IT Strategies and Practices, Leadership focus, Knowledge Management and Training in part one. This is the second and the last in the series on Organizational Change Management. Often Organizational Change initiatives see delayed performance or sometimes, don't see visible performance or rarely fail to see any. This is primarily due to inadequate understanding of the impact of facets of communication, Organization's culture and modeling behavior towards the new change. This part deals with Culture, Communication, Behavioral Modeling, Resources and Budget. Every Change initiative is unique and an understanding of the dynamics should help consultants to plan appropriately. Against this backdrop, we wish to emphasize that Change Management strategies should be designed to understand the unique nature of any change initiative. We are confident that this two-part article will help demystify any Change Management initiatives.

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Author Bio

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Table of Contents

Communication and Organizational Change Management:

Communication is the lifeblood and one of the most dynamic tools

Communication keeps the organizational vigor and circulation to navigate any initiatives to completion. Practiced effectively, communication will bring early success in this process of 'Empowerment and Transformation'. Communication, not alone within the organization but with all stakeholders is must. This is especially important during change management. Communication can be grouped as downwards, lateral and upwards. While downward communication helps in integrating the vision, strategy and rationale, upward communication helps in involvement, engagement and effective transformation at the ground level. Formal and informal lateral communication builds trust, promotes cohesive attitude, and often influences KPI (Denison D. R and Neale. W. S 1996).

Five Key Principles of Effective Communication

1) Dialogue and employee involvement is the essence.
2) Set focus with clarity
3) Convey objectives and expectations consistently
4) Maintain relevance and accuracy
5) Credibility is key and 'Just in time' is critical to success

SAP has developed a tool kit to assist during Organizational Change initiative. The tool kit can be accessed from their web site.

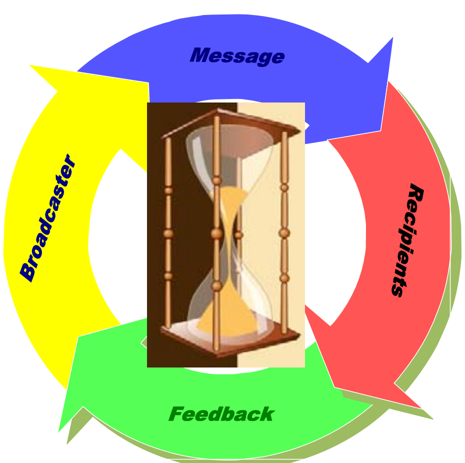
The Backbone of Communication

Dialogue, Focus, relevance, accuracy, credibility, consistency, timeliness all form the backbone for effective communication. Communication is always a two way process and is incomplete without a feedback loop. Securing and understanding feedback is equally important while relaying a message. The leader should '*Walk Along'* with his associates, especially in flatter organization. If required, try probing and stimulate with questions, after the message to elicit a response and ascertain the completion of the feedback loop. The message should be *relevant, comprehensive* and not overwhelming. It is always a good idea to admit 'I don't know' or 'let me get some more information'. *Credibility* is the key, since it will create confidence about the leader. Organization's goals, objectives, and its mission should be presented *openly and consistently*. Clarity should have precedence over any issues creating confusion. *Verbal and nonverbal* cues are critical for early identification of confusing issues. Confusion cleared at the right time saves a lot of despair at later occasion. *Objectives* should be classified according to the priority and be weighted for timeliness. It is important to *update associates on a regular basis* to achieve maximum associate buy-in. Involvement at the ground level is a key to success.

Organizations should work to offer opportunities for networking and collaboration between employees. Message boards and chat talks are some useful tools for these purposes. Timely appraisal and rewards help in reinforcing and nurturing positive behavior. Expectations should be clearly set and not be overwhelming.

Communication is incomplete without a feedback

We have identified inter-dependent feedback loop between these sub-components of communication. The broadcaster, recipient, content in contextual framework and the message along with the feedback form the four essential components of communication. A clear definition and expectations are expected on all the above parameters. An adequate balance and evaluation on all the above parameters will ensure complete success. Communication and timely coordination is often undervalued core functionality. Care should be taken to coordinate with implementation partners as well.



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Communication is incomplete without feedbacks (Communications White Paper, 2007). Bernard Shaw said, ***'The major mistake in communication is to believe that it happens'***.

Communication Ka-Chings in Organizational Change Management

Communication Ka-Chings in Organizational Change Management: 1. Communicate with all Stakeholders. Downwards, Upwards and lateral communication are equally important. 2. Communication is incomplete without a feedback. It should be relevant, comprehensive, credible, focused and consistent. 3. Use formal as well as informal methods. Pay attention to verbal and nonverbal cues. 4. It should be open, offer opportunities for networking and collaboration

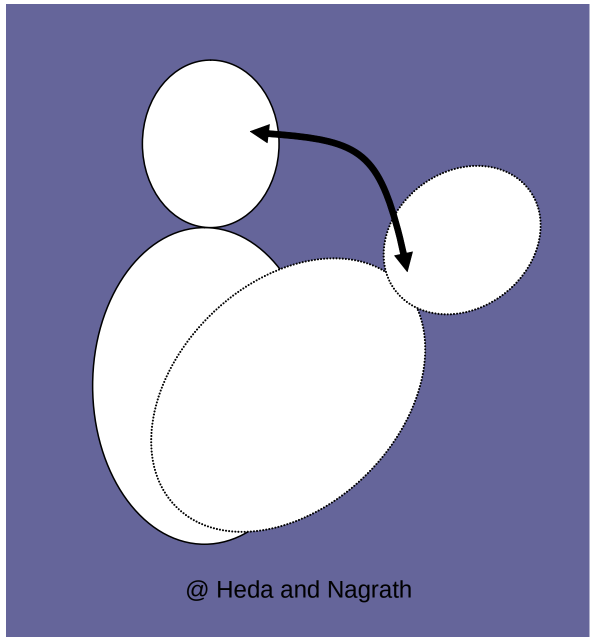
Culture as a Cauldron for Change Management:

“We generally don’t interfere in Dave’s work'. Consultants often hear similar comments while talking informally. Organization with a culture of non-interference may hinder valuable insight and suggestion from those concerned with the task. These aspects of organizations’ culture are based on underlying assumptions and beliefs grounded in the organizations character over a period and others are expected to behave accordingly. Open culture is an important aspect of organization that redeems success during change.

What is Organizational Culture?

What constitutes effective culture for organizational change? There is extensive literature offering good insight on this topic. Let us see how some authors describe Culture. ‘The way we do things here’ is by far the simplest definition proposed by Deal (1993). “Culture is to the organization what personality is to the individual”, Kilman et al (1985). Schein (1992) offers a definition of culture that implies culture’s role in organizational effectiveness. He said, ‘Culture is a pattern of shared (basic) assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems’. As Chester Barnard noted, ‘Culture is complimentary to formal organization’.

Culture is thus a mutually collective pattern of norms, values, beliefs and assumptions that direct the behavior of individuals and groups to provide a frame of reference for guided actions and activities. They are often hard to measure attributes critical for accomplishing and sustaining goals and objectives. Thus, organizational culture forms an epicenter for change. Culture thus provides stability, a sense of continuity to organizations during times of external and internal pressure.



Enterprise will revert to its original position if the smaller circles (Tangible - Organizational structure and behavior) are altered first. Effective Cultural Change needs changing the bigger circles (Tacit Culture - beliefs and assumptions). Modified from Schein's original model. Schein described three levels, Artifacts (the visible), The Espoused Values (e.g. values of leaders) and Assumptions (beliefs).

Why assess Culture?

Understanding culture is to understand organizations shared assumptions, symbols, history, ideologies, and myths to finally facilitate innovation and change. Wilkins et al (1985) have said that inadequately addressing cultural element is a common reason for failure of change management initiatives(Wilkins 1985). Modifying the artifacts, i.e. the visible organizational structures, processes and behavior (in Schein's model) is ineffective. It is critical to address the beliefs and assumptions (aspects of tacit culture). A key component of culture is organizations believes and assumptions. It is hard to measure organizational 'believes and assumptions', however changing these is pivotal to any change management' initiative.

Organizational cultural landscape comprises of its history and accomplishments, heroes and role models, common language and concepts on acceptable boundaries and process for selecting key activities and those cultural traits that uniquely identify an organization. Often, the manner of assigning power and resources, expected norms of individual and inter personal conduct as well as reinforcement and rewards define the cultural fabric of an organization. Leader has the unique role of creating winning team(Hamm 2006). It is interesting to note that a close relationship exists between IT, culture and employees/associates in the successful implementation of an SAP/ERP system. Organizations with culture of higher IT resources influence ERP success (Lee and Lee, 2004). Culture needs to change upon implementation of the new SAP/ES/ERP system. In our view, a consistent effort should be made in achieving larger goals such as TQM or a broader approach such as Kaizen. This facilitates culture and its inclusion in the business process for enhanced customer relationship. Finally, all these factors reflect in improving KPI. Geert Hofstede has identified five aspects of culture, Power, Individualism, Uncertainty avoidance, Masculinity and Long term orientation. These factors need consideration for Multinational Corporations involved with diverse culture.

'The institution will revert to its pre-change operating structure if cultural issues are inadequately addressed'. So, while understanding the implications of culture, a few questions are pertinent and need to be answered. Which aspect of culture to understand and change? How to reveal the cognitive component of culture? Planned change needs evaluation of organizations climate and culture. We recommend answering three questions – 1) which aspects are least compatible? 2) Do we perpetuate or Change? 3) If it isn't broke, don't fix it. For any sustained and effective change, we find benefit from six questions originally proposed by Landahl(Lindahl 2006).

- How critical are these aspects and how deep are these practices entrenched with the organizational culture?
- How would cultural modification change the perception of the organization for the customer and employees?
- What are the consequences of these cultural modifications on proposed change?
- What is the possibility of these changes having a positive and negative long term and short term positive and negative impact on the organization?
- How would changes in cultural practices impact at individual level? Which individuals are likely to be impacted and to what extent?
- What is the direct and indirect cost?

Cultural Ka-Chings in Organizational Change Management

Cultural Ka-Chings in Organizational Change Management:

1. Always begin assessment with open-ended questions

2. Interaction and Interview include listening and verbal cues to uncover the cognitive components. Use different data gathering approaches within organizational hierarchies.

3. Use formal and informal settings with all employees and associated. Real life scenarios and events with structured and unstructured questionnaires, business documents and evaluation of rituals and practices for assessment

4. Customize questionnaire as per organizations need assessment. Avoid using a priori questionnaires. Use formatted questions at the end of the assessment

5. Modifying the tacit component is more important than the tangible.

Behavioral Modeling and Change Management:

“I deal with technical problems every day; it is the soft issue that concerns me”.

Effects of Organizational Change at micro/individual level

In a Process oriented Enterprise ‘Every piece counts.’ every associate has an essential role and contributes towards the goals. Change management is incomplete without understanding the effects of change at the micro or individual level. To understand change at the individual level, it is important to understand the psychodynamics at the (mental model) individual level. Primary actors at the micro level are individuals, leaders, change as a process and the enterprise. Change, as an evolutionary process, is ingrained within us. We have been mutating, evolving and incorporating change at an enormous pace for years. Then why so much fear of change? As per the ‘Force Field Theory’, change and resistance to change are opposite processes.

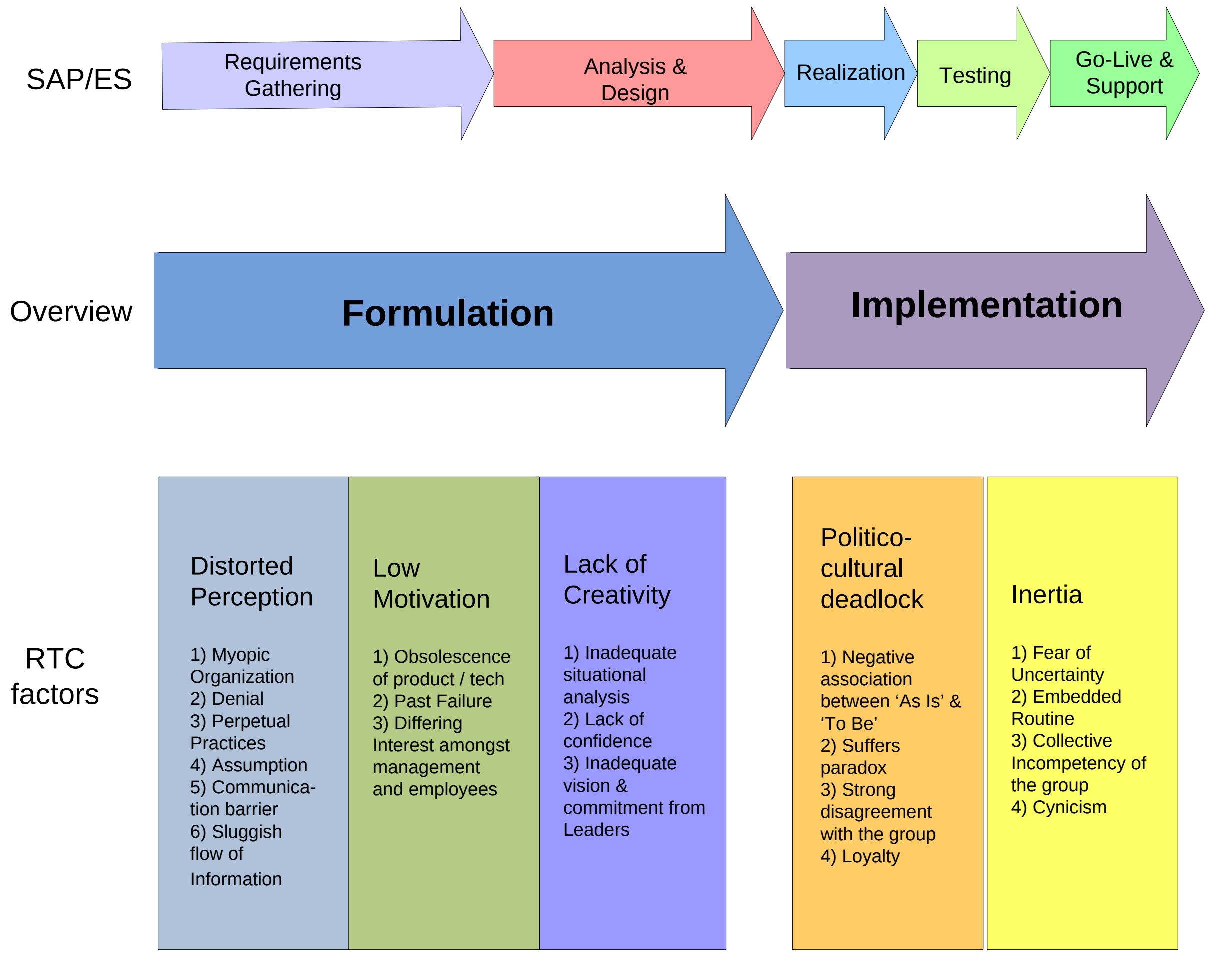
Change succeeds only when the resistance is understood and resolved successfully”.

Resistance is a pervasive phenomenon that affects the organizational change, often associated with failure, delaying, or slowing down the acceptance of the technology. Understanding resistance should therefore be given serious consideration. Status quo, complacency, competing commitment(Kegan and Lahey 2001), Stakeholder politics(Peszynski and Lenarcic 2007) and lack of confidence are a few prominent factors resisting the individual towards change.

Inertia, comfort or a compliant or hidden voice directly adds to the immunity and builds resistance. Either resolution of these negative psychodynamic forces or decreasing the threshold by stress or insecurity increases the driving force and move the individual. A study(Pardo del Val, Martínez et al. 2003) from University of Valencia, has classified the causes of resistance into two broad categories. From our preliminary observation, we have extrapolated these factors into different project phases. Figure appearing on the next page should help in integrating these factors as per the project phases.

Employee and organization are mutually intertwined in a reciprocal and mutual feedback relationship. Resistance can be addressed by redefining this relationship. Generally, resistance is considered a middle manager problem. However, it is apt to note that the magnitude of resistance is similar amongst the middle managers and the employees. Strebel focused on three factors(Strebel 1996), basic tasks and performance requirement, expectations of reciprocal and mutual trust and dependence, and a performance gap in the management’s commitment and behavior. Thus, neglect of the middle level managers by senior level management initiates a vicious cycle. Addressing the Strebel factors can alleviate the problem. According to Expectancy theory, resistance is often due to uncertainty between performance and outcome from changed behavior or the value of the outcome to the individual. Either case, it is attitudinal or just to avoid pain from change(Lines 2004).

“We were not trained for that. I spend a hell of my time learning that”



Model integrating 'RTC' factors with the different phases of an SAP project
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'*We are what we repeatedly do. Excellence, then, is a habit, not an act*', - Aristotle.

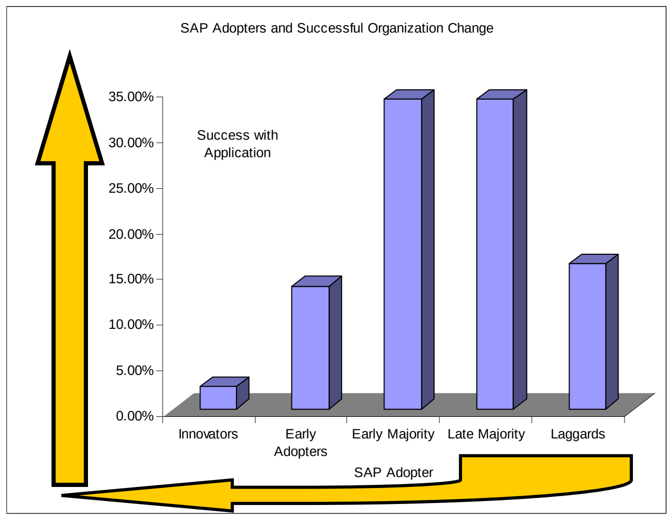
Change involves unlearning old skill sets and behavior and learning new cognitive or mechanical tool kits. Once unfrozen, the onus of moving to the desired state depends on the drive and desire of the individual, motivation from leader, nature of change issue and the organizational dynamics. Interplay of these interdependent components dynamically affects the outcome during the transition phase. Individual ownership is as important as external motivation in moving towards the desired goal. In a 'Free' enterprise, the onus is on the individual to gather momentum. Leader can enable them with rewards and reinforcements through appraisals on achieving milestones. Though challenging, it is important to engage everyone concerned, especially during the Blueprinting phase. It is interesting to note how the leaders and the organization influence the individual and change (issue).

Change is but a stressful event.

After all, it took significant time and effort to learn, establish and consolidate the earlier tools and skills. Once in comfort zone, it is stressful to learn new tools or skill sets and redo the cycle. However, delay in attempting to change (procrastination) builds additional stress and initiates a vicious cycle. Irrespective of delay, the earliest reactions to change are depicted in the Kubler Ross model with, individual, free flowing between the different stages from denial, frustration, bargaining, acceptance, trial, re-perception, incorporation and consolidation. Leadership has a prominent role during these initial phases. The reaction between the leader and the employee partially reflects 'Parent-Child' interaction. Often, transference, and counter-transference are seen. Counter-transference is a perturbation of the normal work where the subjective choices of the leader are influenced, generally with negative connotation.

The next logical question is why is it necessary to understand these influences? How to detect them? Understanding and developing an insight helps the leader to control his reactions and decrease the obstacles to work and offer an insight to interpretations(Giami 2001). In essence, staying unperturbed (without becoming reactive) as the employee or the associate goes through his journey on the Kubler Ross Cycle is pertinent. From the preceding, it is obvious that the leader ought to identify these reactions and be emphatic and supportive.

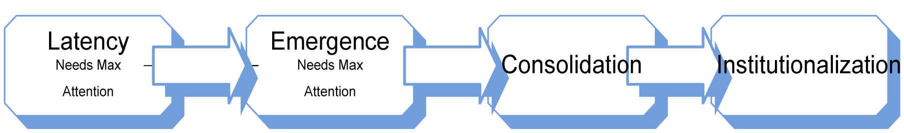
SAP Implementation goes through the same Technology Adoption Diffusion Model



SAP implementation changes go through the same 'Technology Adoption Diffusion' model (Roger). Adoption happens at the individual level and diffusion at the organization level. Awareness, Interest, Evaluation, Trial and finally Adoption constitute the Adoption cycle. Individual vacillate between these stages and may drop out at any stage resulting in rejection or discontinuation. Identifying and reinstating such individuals/associates is key to employee morale and successful implementation. Extrapolating the diffusion curve offers an insight of the five categories comprising of innovators (2.5%), early adopter (13.5%), early majority (34%), late majority (34%) and the laggards (16%). Laggards form the weakest coupling in the chain. Focusing and mobilizing efforts on Early Adopter and Early Majority ensures an enhanced rate for adoption. The speed of any implementation depends on converting these two groups(Moore 1991).

Once Implemented, Change goes through 'Zadek Issue Maturity' stages

Change, per se goes through four stages of issue maturity. Latency, Emergence, Consolidation and Institutionalization are the stages through which any change initiative goes through.

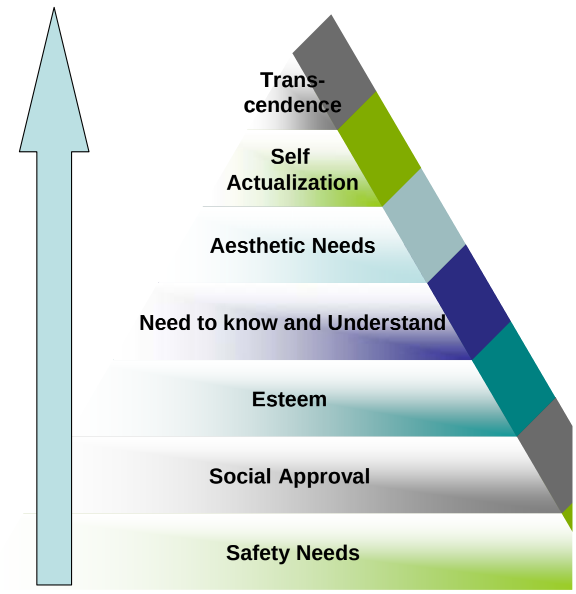


Modified from Simon Zadek, 2004; Stages of Technology Maturity.

Individual and group dynamics mentioned above occur on a temporal scale. Maximum attention is required during the latency and emergence stages(Zadek 2004). As change gathers momentum, people and the organization as a whole, consolidate and refreeze the changes. However, real refreezing can never be achieved. As Abraham Maslow said, 'The only happy people I know are the ones who are working well at something they consider important'. The context of OCM from SAP point of view can be accessed from their web site.

Leaders should be supportive while the employee is rising through the hierarchy of needs

Individuals later go through different hierarchy of evolution and the psychodynamic needs keep evolving as proposed by the Maslow model. The key to harmonizing is to reinforce and reward behavior to shapes the new system. Rewards and encouragement is not always material, social rewards are encouraging people to rise through Maslow's pyramid. Off note, remember to provide an atmosphere of encouragement and security while an employee is striving through the model. Any insecurity may harm this process and cause distrust. Thus, the base of the pyramid is disturbed, erodes the confidence, and introduces double standards(Duck 1993). Leaders should be consistent and supportive during such initiatives. They have to do a fine balance between the preceding and uncompromising attitude towards employee performance evaluation.



Hierarchy of Needs, Adopted from Maslow
As the Individual evolves through the hierarchy, Organizat should be supportive for some loss of competency
Modified image @ Heda & Nagrath

Behavioral Ka-Chings in OCM:

Behavioral Ka-Chings in Organizational Change Management:

1. Change succeeds only after resistance is addressed successfully
2. Always anticipate grief reaction, transference and counter-transference
3. Anticipating drop outs from the 'Adoption Cycle' and reinstating these drop-outs, helps in building employee morale for Change
4. Organizations should provide an atmosphere of security as the employee is striving to evolve through the 'Hierarchy of needs'

Resource, Time and Organizational Change:

Cost and time over run are frequently cited factors

Cost and time overrun are the most common factors associated with SAP/ES implementations / upgrade failure. In addition, these factors though independent, show a strong association. Consequently, we have discussed them together. We take this opportunity to emphasize the complexity and high price of failure associated with ERP. Some pertinent data is offered as an aid for managers to anticipate, learn, and plan to stave off problems and maximize ROI on their SAP/ES implementations. It is often difficult to calculate the direct cost of a change management project, but as Sutherland said, ‘If you cannot understand something you cannot measure it. If you cannot measure it you cannot control it. If you cannot control it you cannot improve it’. It is noteworthy that SAP products offer a well defined scope, approach, and price, reduced implementation time and cost, proven, industry-specific business solution and Scalability/flexible design of the solution(Nottle 2006). Suffice it to say, that all these factors improve KPIs.

For sake of convenience, we have lumped budget and human resources as a single 'Resource' dimension. Resources and time, both dimension need extensive expertise with repercussions on all aspects of organization. We have contained this discussion to critical areas, which may offer fundamental findings in addressing other components mentioned earlier.

All the above components are intricately linked with and without meaning if the restrains on resources and time are inadequately understood. Change, either incremental or radical, is expensive, time consuming, needs critical analysis and demands considerable patience. Radical change requires considerable time and resources as against incremental changes. It is a ropewalk. A slow and delayed change management project easily looses steam. Whereas, too fast pace overwhelms all components of organizational change. Kotter (Kotter 2007) has strongly recommended that leaders should create a sense of urgency. It's always a trade- off between a worse now better than future. Executive sponsorship and involvement is strongly recommended since it sets in a virtuous cycle in the change process.

Decrease in Productivity Post Implementation (Change Paradox)

Most (75%) ERP projects experience a moderate to severe decrease in productivity after implementation. This decrease in productivity lasts from six to twelve months. Market effect lasts at least one to two quarters thereafter (Enterprise Resource Implementation Still Tough 2001, August, IIE Solutions, 33, p. 19). Almost 45% perceive no improvement with ERP and a similar number report no reduction in cycle time(Adam and O'Doherty 2000). Almost, 90% projects run over cost by 25%. Often, support costs are under estimated by 20 percent for the year following implementation.

The primary reason for ERP failure is the pressure on the organization ‘to go live’ to new system. The most cited factor for inadequate readiness is 'End User Training'. According to Pat Begley, Senior Vice President for Educational Services at SAP, 'Faulty technology is often blamed, but eight out of nine times, ERP problems are performance-related'(Gale 2002). Companies often cut expense on training end users.

Big Hairy Aggressive Goals

Another reason often cited is setting 'BHAG' (Big Hairy Aggressive Goals) objectives. BHAG helps in generating a pull. However, it does not last if the employees are not sufficiently motivated with the results. Consequently, it is very important to have short-term goals and emphasize their achievements. It is pertinent to convert 'Whales to Dolphins'. It makes sense to think big but start small. The next question is what are realistic (short-term) goals? And when should they be achieved? Observation from the enterprises processes, previous experiences within the organization and beyond (benchmarking) should help in building these short-term objectives(Hamel G. and Prahalad 1989; Collins and Porras 1994). It makes sense to know that, ‘change is a journey, not a destination’.

Resource Ka-Chings in Organizational Change Management:

Resource Ka-Chings in Organizational Change Management:

1. Anticipate time and cost over run. Performance drop after ERP implementation is common. This 'Change Paradox' should not last longer than 6 months
2. End user Training should start early and there should be no cost cutting in empowering the users.
3. Always convert 'Whales to Dolphins'. Avoid BHAG goals.

Keywords

Communication, Feedback loop, Culture, Cultural Artifacts, Tacit Culture, Tangible Culture, Force Field theory, Zadek Technology Maturity Stages, Adoption Diffusion Model, Adoption Cycle, Kubler Ross stages, Transference, Counter-transference, Parent – Child, Hierarchy of needs, Change Paradox.

Acronyms

KPI - Key Performance Index, RTC - Resistance to Change, ROI - Return on Investment, BHAG - Big hairy aggressive goals.

Peer Review Status

Peer Review: Status – Yes

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