

HOW TO LEAD ORGANIZATIONAL CHANGE: FRAMEWORKS

Chapter Overview

- In this chapter we discuss frameworks that illustrate the process of how to create organizational change; in Chapter 3 we examine what aspects of an organization might need to be changed. Change leaders must understand and do both.
- We present six models that provide dissimilar and complementary insights into the process of planned, purposeful change:
 1. The first model is a basic step model, that is, the leader takes an organization through step 1 before step 2; this is Lewin's three-stage model.
 2. Kotter's eight stages of organizational change provide a highly structured, finish-one-stage-before-the-next-stage approach to change.
 3. The third model is Gentile's *Giving Voice to Values* methodology, which supports individuals taking effective ethical action when a situation so demands.
 4. The fourth model is Duck's five-stage model that focuses on people and the range of their emotional responses to change.
 5. Fifth, there is a modified version of Beckhard and Harris's change-management model that concentrates on process issues.
 6. We end this chapter with the Change Path, our four-stage model that concentrates on process issues and is used as a guiding framework throughout the book. The four stages of this model are Awakening, Mobilization, Acceleration, and Institutionalization.
- Just as an athlete needs different types of training and equipment to play and succeed at different sports (think of the difference between a professional baseball player and a downhill skiing professional), so too does the change leader need different frameworks to apply to specific situations.
- These models will help change leaders articulate their approach to leading organizational change and provide guideposts for instituting that change.

Sweeping demographic changes, technological advances, geopolitical shifts, and demands to be sensitive to our physical environment are combining with concerns for security and organizational governance to generate significant pressure for organizational change. Awareness of the political, economic, sociological, technological, ecological/environmental and legal aspects of any organization's external environment forewarns managers for the need to pay attention to multiple factors. Furthermore, it alerts managers to attend to their organizations' environmental contexts and to decide whether they need to take some action as a result.

McDonald's has been one of many organizations that scanned its environment and made changes to its products as a result of shifts in its environment. The recession of 2008–2009 put pricing pressure on the restaurant business. McDonald's responded with a continuous stream of new products. Since 2004, it has introduced the snack wrap, several salads, specialty coffees, and, most recently, the Angus burger, a 1/3-lb. burger.¹ These product innovations have led to increases in store sales and improved profits. Recently, McDonald's has embraced the "green movement" with major initiatives in the areas of sustainability and corporate social responsibility, and public reporting of their progress. They also piloted the placement of charge points for electronic vehicles in one store in 2009, and this initiative has now been extended to a few other locations.² One trend that has challenged McDonald's creativity is the "eat local" movement, where consumers are encouraged to eat locally grown foods. In the international market, McDonald's has created a variety of partnerships to create a more localized experience for its consumers. McDonald's now offers Red Bean Pie in Hong Kong, a Parmigiano Reggiano burger in Italy, and Caldo Verde soup in Portugal.³ In the United States, McDonald's has tried to use a message about locally grown foods in its advertising. At first it was slow to commit to using verifiable metrics to support these claims,⁴ but it has improved in this area over the years. To make these product decisions, McDonald's managers had to evaluate environmental shifts and assess their relevance to the organization's strategy and the probability of its continued effectiveness.⁵

In the early 2000s scientific evidence linked childhood obesity in the United States with kids eating fast-food meals that were loaded with calories, sodium, sugar, and saturated fats. McDonald's Happy Meals was one such example. By 2018, in partnership with the Alliance for a Healthier Generation, McDonald's had set goals to improve the nutrition and limit the calories in its Happy Meals in the United States. Simultaneously, the fast-food giant analyzed how it could enact its corporate mission: "to be our customers' favorite place and way to eat and drink." In January, 2019, McDonald's announced that they, too, would add bacon to their menu: customers could buy cheesy bacon fries (cheese and bacon were added to their iconic french fries), a Big Mac Bacon burger, and a Quarter Pounder Bacon burger. Bacon, they noted, earned 17,000 mentions a day on U.S. online platforms and the company wanted to get on board with the trend. McDonald's executives examined the bacon trend and decided that product changes were necessary.

If one takes the McDonald's example and generalizes it to all managers, then changes in the external environment provide powerful clues about how an organization's products and services need to change—quickly. In 2019, the rapidity of changes in the marketplace makes acquiring and diagnosing data and then acting on the data immediately a demanding skill set for organizational leaders.

Each person has ideas about how organizations work. For some, this model is explicit—that is, it can be written down and discussed with others. However, many managers' views of organizational functioning are complex, implicit, and based on their personal experiences. Deep knowledge and intuition, so-called tacit knowledge, about the functioning of an organization is invaluable. However, tacit knowledge is personal, often difficult to communicate, and almost impossible to discuss and challenge rationally. As a result, this book takes an explicit approach and provides ways to articulate unspoken models of how organizations work and to use several models to think systematically about how to change an organization.

DIFFERENTIATING HOW TO CHANGE FROM WHAT TO CHANGE

The complexity of change can be simplified somewhat by recognizing that there are two distinct aspects of organizational change that must be addressed. Managers must decide both *How* (process) to lead organizational change and *What* (content) to change in an organization. The example below highlights the difference between the how and what of change. Imagine that you are the general manager of a major hotel chain and you received the following customer letter of complaint:

A LETTER OF COMPLAINT

Dear Sir:

As a customer of yours, I wanted to provide you with our experiences at ATMI, your London, England, hotel.* I have reflected on my experience and decided to provide you with feedback—particularly given your promise on your website—the Hospitality Promise Program.

My wife and I arrived around 10 p.m. after a flight from North America and the usual tiring immigration procedures, baggage check, and finding our way to your hotel. The initial greeting was courteous and appropriate. We were checked in; the desk person asked if we wished a room upgrade. After I clarified that this would cost money, I declined that proposal.

We then went to our room on the 3rd floor, I believe, and discovered it was a disaster, totally not made up. I phoned the switchboard and was put through to reception immediately.

*The hotel name is disguised.

There were profuse apologies and we were told that someone would be up immediately with another key.

Within 5 minutes, someone met us with a key to a room on the 5th floor, a quick, fast response. However, when we got to the new room, it was not made up!

Again I phoned the switchboard. The operator said, "This shouldn't have happened. I will put you through to the night manager." I said that was not necessary, I just wanted a room. However, the operator insisted and I was put through to the night manager. Again, there were profuse apologies and the manager said, "This shouldn't have happened, I will fix this and get right back to you." I indicated that I just wanted a room—I didn't want the organization fixed, just a room. The manager repeated, "I will get right back to you."

We waited 5, 10, 15 minutes. Inexplicably, the manager did not return the call even though he said he would.

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Finally, around 20 minutes later, I phoned switchboard again. I said we were waiting for a room and that the night manager had promised to call me back. The operator said, "This is probably my fault as I was doing work for the assistant manager." I did not and do not understand this part of the conversation but again, I was told that they would call right back. Again, I repeated, "I just need a room."

I waited another 5 minutes—it was now 11 p.m. and we were quite tired—there was no return phone call.

My wife and I went down to reception, waited, and after a brief time were motioned forward by the person who registered us initially. I explained that we needed a room. He said, "You were taken care of. You got a room." I stated that "No, I did not have a room, I just had two rooms that were not made up and we needed a clean one for the night."

Again, there were profuse apologies. The reception person then said, "Excuse me, just for a moment, so I can fix this." I said, "Really, I just would like a room." The person at the reception desk went around the corner and began to berate someone working there. This went on for several minutes. He then returned to his station, called me forward again, apologized again, and located a third room for us. As well, he gave us coupons for a complimentary breakfast.

This third room was made up. It was "more tired" than the previous rooms, but it was clean and we were delighted to find a spot to sleep.

In the middle of the night, as is the norm in many places, the invoice was delivered to our room. To our surprise, a £72 charge was added to the price of the room for a "room change."

Of course, early the next morning, I queued up to discuss this charge. The same reception person was still on duty. He motioned me forward and then immediately left to open up all the computer stations in the reception area. He had a tendency to not make eye contact. This may have been a cultural phenomenon or it may have been his dismay at having to deal with me again. I cannot say.

I showed him the invoice. He said, "Oh, there will be no charge for that room." I said that I was concerned as the invoice did show the charge. He said, "It is taken care of." I said, "Regardless, I would like something to prove that there would not be another charge to my credit card." After one further exchange and insistence on my part, he removed the charge from my invoice.

My wife and I had a pleasant breakfast and appreciated it being complimentary.

We thought that you would want to know of our experience. Customer service is a critical part of the hospitality industry and I am certain that ATMI would wish feedback on experiences such as these.

I am interested in such things and look forward to your reply.

Yours truly,

The list of things done poorly and the organizational issues that exist at this hotel are extensive. Identifying this list of *what* needs attention is relatively easy. The desk clerk has twice assigned rooms that were unmade. This indicates that the system used to record and track information on the condition of the rooms is either nonexistent or not working properly. One wonders if someone is responsible for monitoring the housekeepers' performance. There are managerial issues—a manager promises to get back to a customer and doesn't. There are organizational culture issues—the excuses by the switchboard operator and yelling by the reception person. There are further system issues as indicated by the £72 charge for a room change. There are some service training issues—the responses by the receptionist were variable. He was quick to send up a second room key but left the customer standing while he turned on computers. He was

reluctant to reverse the extra room charge. There is some hint that there might be other cultural issues that are pertinent.

However, it is not clear *how* the general manager should proceed with needed changes. First off, how accurate is the letter? Can the general manager accept it, or does he have to investigate? Assuming the letter reflects the experiences of more than one unhappy customer, then the general manager still faces the “how” question. If the computer system for tracking room availability does not exist, then it is relatively straight forward to buy and install one. However, if the system exists but is not being used, how does the general manager get the staff to use the system effectively? Closer supervision and training might work, but who can do that and who will pay for it? Even more difficult are the organizational and cultural issues. The norm among employees appears to be to make excuses and to “berate” others when things go wrong. A manager can tell employees that these behaviors are inappropriate, but how does one persuade employees not to respond abusively? And how will the general manager know if and when the changes are implemented? Is there a system in place to track customer and employee satisfaction? Are these several systems worth the cost they impose on the organization?

Clearly, managers must know what needs to change. However, how to go about making change requires careful thought and planning. The models below may help you to think about the process of change and how to make it happen.

THE PROCESSES OF ORGANIZATIONAL CHANGE

Many leaders know what they need to achieve, but they just don’t know how to get there. An examination of competitors’ initiatives and accomplishments, customers’ behavior, and other data from environmental scans will provide cues as to what is needed, but moving one’s organization to successfully address these factors and related opportunities is difficult.

Why is it so difficult to accomplish organizational change?

There is a web of tightly woven factors that make organizational change difficult. However, one common cause might lie in practices that were effective in the past and that are no longer appropriate; this can be called the “failure of success.” Organizations learned what worked and what didn’t. They developed systems that exploited that knowledge and established rules, policies, procedures, and decision frameworks that capitalized on previous successes. Further, they developed patterned responses (habits), assumptions, attributions, and expectations that influenced the ways employees thought about how the world worked.⁶ These beliefs and ingrained responses formed a strong resistant force, which encouraged people and their organizations to maintain old patterns regardless of feedback that they were no longer appropriate. In many respects, this is where the questions of what to change and how to change intersect.

Charles Handy describes some of these dilemmas by examining the pattern of success over time.⁷ As he so aptly said, too often “by the time you know where you ought to go, it’s too late” (p. 50). He describes a **sigmoid curve** that outlines where one should begin changing and where it becomes obvious that one needs to change (see Figure 2.1). This curve depicts the outcomes of a system as a curve that increases during early-stage development and growth phases, flattens at maturity, and shifts into decline over time. Consider the path tracked by successful technological innovations. Once an innovation demonstrates its value to key

early adopters, then sales take off. As others see the benefits of the innovation, they adopt it as well. Patents and proprietary knowledge provide some protection, but over time competitors launch similar products, profit margins become squeezed, and sales growth slows due to increased competition and the level of market saturation. This leads to a flattening of the curve, referred to as the maturity phase. Decline follows as the market becomes increasingly saturated and competitive, and this decline accelerates with the arrival of a new, disruptive innovation that attracts customers away from the existing product or service. Think of what happened to the VCR players when DVD players arrived on the scene. Consider how prices fell for DVD players in the face of competition. Now, video streaming has eclipsed the market for DVDs. DVDs are becoming obsolete as more companies offer streaming services.

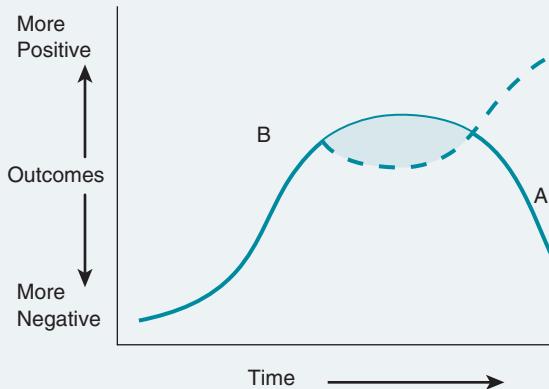
The time to introduce change is at point B when the system is growing. The dilemma is that in the short run, the costs are likely to be greater than the benefits. It is only when the new changes are adopted and the system is working well that the outcomes' curve turns upward again. One dilemma is that the costs of change are real and include adding people and shifting production lines, while the benefits of change are uncertain. Managers believe the changes will improve productivity and profits, but that may not occur. By holding off investing in change, an organization may improve its profits in the short run. However, if environmental conditions continue to change and the organization fails to adjust in a timely fashion, executives can quickly find themselves lagging behind their competitors, scrambling to adapt, and running to catch up. If management waited too long to adapt, then an organization may find it impossible to do so. The escalating rate of change, combined with the frequency and magnitude of disruptions being experienced by firms point to the dangers of being laggards!

By the time the system reaches point A, the need for change is obvious, but it may also be too late for the organization to survive without experiencing significant trauma. Positive planned change needs to be commenced sooner in the process—before things deteriorate to a crisis or disaster stage. Unfortunately, change typically comes with costs that appear to lessen the positive outcomes in the short run. As many know, convincing anyone that they should incur costs, make investments, and initiate changes now for long-run benefits is a difficult selling task, particularly if things are going well. This is depicted as the shaded space between the solid and dotted lines beginning at point B in Figure 2.1. The costs of change appear certain and are tangible. But the benefits are uncertain and often vaguely defined. The time after point B is a time of two competing views of the future, and people will have difficulty abandoning the first curve (the one they are on) until they are convinced of the benefits of the new curve. In concrete terms, creating change at point B means convincing others about the wisdom of spending time and money now for an uncertain future return.

In the following pages we present six models for thinking about and changing organizations. These models are both discrete and complementary. Below is an overview of what you will find in these models.

- Lewin's model is simple, making it useful for communicating the overall change process to participants.
- Kotter's provides a detailed map of the change process in terms of what each step needs to achieve (i.e., the key success factors of a change initiative), which is useful for planning and implementing.

Figure 2.1 The Sigmoid Curve



Source: Adapted from Handy, C. (1994). *The age of paradox* (p. 50). Boston, MA: Harvard Business School Press.

- Gentile provides individual-level guidance for pushing back and responding skillfully and effectively to people and situations that contradict a person's values; this approach may or may not make systemic change, but it often allows an individual to change an unethical situation.
- Duck offers guidance for people and the emotional issues associated with organizational change.
- Beckhard and Harris provide an action-oriented overview that indicates the sets of activities that should be completed within the steps Kotter identified (roughly).
- The Change Path Model maps sets of activities within a systems-level view (following Lewin) that also reflects organizational-level factors (e.g., operations, control, and measures).

The models have more similarities than differences.

- Each is a process model (i.e., they all depict *how* change should happen).
- Two are descriptive (Lewin and Duck), three are prescriptive (Kotter, Gentile, and Beckhard and Harris), and our Change Path Model combines both.
- One is system-level (Lewin); three are organizational-level (Kotter, Beckhard and Harris, and our Change Path Model); and two are individual-level (Gentile and Duck).
- The models describe many of the same processes, but describe them at varying levels of granularity and with different lenses (e.g., emotions with Duck, managerial tasks with Kotter).

Organizational change most often requires changing at three levels: individual, team or unit, and the organization. Learning and applying more than one model will give the change agent a large set of tools to work with.

(1) STAGE THEORY OF CHANGE: LEWIN

Our first model is a basic step model. Sixty years ago, Kurt Lewin⁸ wrote about the problem of how to bring about change. He described a three-stage model of change:

Unfreeze → Change → Refreeze

Lewin stated that we need to understand the situation and system as a whole as well as the component parts that make up the system. Before change can occur, an unfreezing process must happen within that system. **Unfreezing** focuses on the need to dislodge the beliefs and assumptions of those who need to engage in systemic alterations to the status quo. The unfreezing process might occur because of some crisis. For example, new competitive products that are attacking the major profit centers of a private enterprise might be a sufficient shock to the organization to “unfreeze” patterns. In this example, the balance in the system must be disrupted or broken in order to permit conditions for change to develop. Some top managers even talk about “creating a crisis” in order to develop the sense of urgency around the need for change.⁹

When this unfreezing occurs, the people who are embedded in the systems become susceptible to **change**. Systems and structures, beliefs, and habits become fluid and thus can shift more easily. Once the change has been completed, these systems, structures, beliefs, and habits can **refreeze** in their new form.

To illustrate Lewin’s model, refer back to the Letter of Complaint and examine the comments below.

Unfreeze

Will this letter of complaint be sufficient to “unfreeze” the general manager and move him to action? If this is a single letter, it is highly unlikely that change will occur. If complaints are common for this hotel, this might be seen as just one more letter in a pile—background noise in running the hotel. The letter suggests that this might be an airport hotel in London, England. The location of the hotel might be such that customer service shortfalls might not make a difference to occupancy rates, whereas minimizing costs would be crucial to the hotel’s profitability. In all the above scenarios, no unfreezing would take place.

However, this letter may represent an initiative that captures managerial attention and promotes action. The general manager might be facing declining occupancy and view this letter as a signal of where problems lie. A comparison with other hotels on measures of profitability and customer satisfaction might demonstrate a dramatic need for change that the letter foreshadowed. In this situation, the general manager’s views on the existing system are more likely to be unfrozen, and he would be ready for change.

Note that the unfreezing must take place at many levels. The general manager might be ready for change, but the employees at the reception desk might

think things are just fine. Their perceptions need unfreezing as well! The integration and interdependence of systems and people require us to think about the unfreezing of the organizational system as a whole.

Change

Assume that the general manager accepts the need to improve the system that indicates that rooms are ready for occupancy. He must decide what else needs to change to bring about the needed improvements. He could begin by hiring a quality-control person who is charged with inspecting and certifying all rooms before they are entered into the system as “ready to use.” Some computer programming may be needed to flag rooms when they are ready, and the quality-control person must be responsible for managing that flag subsystem. The quality-control person will have to be recruited, hired, and trained if management cannot promote an appropriate internal person. Once the room-quality system has been designed and procedures are in place, all receptionists will have to be trained. This change could be a participatory process with the involvement of staff; or, the general manager could have it designed and order its implementation. Either way, the change process would be complex, involving a number of people and systems.

During this phase, there would be considerable uncertainty. The new system could be ready before the quality-control person is hired and trained. Or, the reverse could be true: the person may be hired and trained, but the room-quality system is not ready. Employees might see opportunities to improve what is being proposed and make suggestions regarding those improvements. Regardless of the specifics, the organization will be in flux as the general manager analyzes the organization’s problems and decides how he will implement changes: in other words, the manager will need to decide who will do what, when, where, why, and how.

Refreeze or More Appropriately Re-gel

Once the changes are designed and implemented, employees will need to adapt to those changes and develop new patterns and habits. The new flag system will alter how those at reception and in housekeeping do their work. They may informally ask the quality-control person to check certain rooms first as these are in higher demand. The general manager will follow up to see how the system is working and what people are doing. New reporting patterns need to be established, and the quality-control person might begin passing on valuable information to hotel maintenance and housekeeping regarding the condition of particular rooms. At this point, the system settles into a new set of balances and relative stability. With this stability comes refreezing, as the new processes, procedures, and behaviors become the new “normal” practices of the organization.

What do we mean by this notion of relative stability and predictability that comes with refreezing? It stems from the observation that organizational systems, composed of tasks, formal systems, informal ways of behaving, and individuals, develop over time an interdependent state of balance called *homeostasis*. Perturbations or shifts in one part of the system are resisted, or swings away from balance are countered and balance is regained. As suggested earlier, managers may introduce change initiatives only to have those initiatives fail because

of existing systems, processes, or relationships that work against the change. Planned changes in structures and roles may be seen as decreasing the power and influence of certain individuals or groups, and these groups may react in complex ways to resist change. For permanent change, new structures and roles are needed and new points of balance or homeostasis developed.

The image of a spider's web can help to depict the phenomenon. That is, view the organization as a complex web of systems, relationships, structures, assumptions, habits, and processes that are interconnected and interdependent over time. Altering one strand of the web is not likely to alter the patterns significantly. To do that requires a breaking of many interconnected items—the “unfreezing” in Lewin's terms.

This simple model has stood the test of time. Change agents find it useful both because of its simplicity and because it reminds us that you can't expect change unless the system is unfrozen first! We may need other, more complex models of the organization to think through what must be unfrozen and changed, but Lewin forces us to recognize the rigidity that comes with stability and interconnectedness within existing systems, relationships, and beliefs.

However, several concerns prevent us from wholeheartedly embracing this model. First, the model oversimplifies the process of change and suggests that change is linear. The reality is that change tends to be complex, interactive, and emergent. Second, the creation of the need for change deserves more attention. It is not merely a matter of moving individuals away from their assumptions about the current state. Rather, they need to have a vision of a future desirable state. Finally, the model implies that refreezing is acceptable as a frame of mind. This seems problematic because it implies that change is a discrete event, rather than a continuous process. In today's rapidly changing world, organizations find that pressures to adapt mean they are never “refrozen”—and if they are, they are in trouble.

Organizations that freeze too firmly may fail to thaw in time, when new markets and customers appear. They may refuse to incorporate feedback in making useful changes. Continuous improvement programs may appear faddish, but they reflect a realistic view of what is needed in a dynamic environment because they enhance an organization's adaptive capacity. Thus, there is concern with the image created by the word *refreeze*, as this is likely too static a condition for long-term organizational health. In discussions with managers, we find the phrase “**re-gelling**” to have appeal as a state between total fluidity of a liquid and the excess rigidity of a solid. Since Lewin articulated his framework of organizational change in the early 1950s, it is likely that he, too, would have modified his framework for change.

(2) STAGE MODEL OF ORGANIZATIONAL CHANGE: KOTTER

This second model describes a highly structured step-by-step process that overcomes the problem of simplification of Lewin's model. In 1996, Harvard Business School Professor John Kotter published *Leading Change*.¹⁰ His eight-stage process argues that an organization must successfully go through each phase in sequence. For example, failing to establish a sense of urgency throughout an organization (step 1), may explain a leader's inability to communicate effectively a vision for

change (step 4). Kotter's framework helps managers know what they should do, when they should take specific actions, and when and how they are ready to move to the next stage.

Kotter's Eight-Stage Process

1. **Establish a sense of urgency:** In older, well-established organizations a sense of complacency may have set in. Leaders need to illustrate the threats to the system and move enough organizational members from a sense of invulnerability to vulnerability.
2. **Create a guiding coalition:** Select a significant number of people (10 to 50) who have titles and lead divisions and departments, have the respect of their colleagues, and relevant knowledge. This group should be aligned and know that change is needed.
3. **Develop a vision and strategy:** People need an overarching dream of an inspiring future. From this vision comes the implementation plans and steps.
4. **Communicate** the change vision: Capture the hearts and minds of most employees by communicating through multiple channels and multiple times the vision for change.
5. **Empower employees** for broad-based action: Large numbers of employees need to embrace the vision and then organizational structures, human resources systems, and a myriad of other internal organizational mechanisms need to support, rather than block, the change.
6. **Generate short-term wins:** Large-scale organizational change may take three to five years and yet employees need to see evidence of successful change within 18 months (p. 11). Highlight short-term gains to keep employees motivated.
7. **Consolidate gains and produce more change:** Since it takes years for organizational change to become a part of an organization's DNA, many leaders stop too soon. Keep pressing forward until the change seeps into the deepest recesses of an organization.
8. **Anchor new approaches** in the culture: Make sure that the change is embedded in the organization's cultural norms and values.

The heightened need for agility in the face of escalating rates of change, the challenge of closing the gap between the current mode of operation and the desired future state, and collateral challenges related to managing the transition have caused Kotter to offer additional advice in this area. Goods, services and the value promise still need to be delivered upon as the changes are pursued. To "accelerate" the process (Kotter's words), he recommends a new strategy designed to augment his original eight steps.

Kotter sees these accelerators as concurrent and always at work, energized by a volunteer army and nested in a flexible and agile network. His eight accelerators are (1) create a sense of urgency around a single, big opportunity; (2) build

and maintain a guiding coalition; (3) formulate a strategic vision and develop change initiatives designed to capitalize on the big opportunity; (4) communicate the vision and the strategy to create buy-in and attract a growing volunteer army; (5) accelerate movement toward the vision and the opportunity by ensuring the network removes barriers; (6) celebrate visible, significant short-term wins; (7) never let up—keep learning from experience and don’t declare victory too soon; and (8) institutionalize strategic changes in the culture.¹¹

(3) GIVING VOICE TO VALUES: GENTILE

The third model focuses on the ethical implications of organizational change. Pick up any newspaper or magazine and one finds stories about personal, corporate, or governmental malfeasance; accounts of injustice; and reports of individual violence against peers and society’s vulnerable members. An underlying issue in most of these situations is an organizational climate that does not effectively manage individual and group behavior. Take the multiple scandals at Wells Fargo. In April, 2018, the bank agreed to pay \$1 billion to settle U.S. federal government probes into its mistreatment of consumers. The settlement covered problems in Wells Fargo’s auto-lending and mortgage divisions. In 2017, the bank had revealed that its employees had forced customers who took out car loans to buy unwanted insurance. Other employees imposed inappropriate charges for locking in interest rates on new home loans. In October, 2016, CEO John Stumpf resigned abruptly, as pressure mounted from the public and lawmakers.

With numerous examples of corruption and fraud, educator and research scholar Mary Gentile decided to develop *Giving Voice to Values*, a program, at first for business students, to support people’s development of confidence and skills that would allow them to speak and act their values—effectively—when faced with a situation that runs counter to their principles. Gentile’s *Giving Voice to Values* (GVV) curriculum¹² takes people through a learning process that prepares them to expect values conflicts and provides the tools to intervene when they perceive wrongdoing. (See <https://www.darden.virginia.edu/ibis/initiatives/giving-voice-to-values/> for cases and other teaching tools for the GVV curriculum).

The GVV curriculum focuses on the practical application of skills needed to push back and respond skillfully and effectively to people and situations that contradict a person’s values. The GVV curriculum consists of three parts that represent the process individuals need to work through to advocate for the need to change: the clarification and articulation of one’s values; post-decision-making analysis and implementation plan; and the practice of speaking one’s values and receiving feedback.

1. Clarification and articulation of one’s values: The GVV curriculum invites participants to consider the notion that there is a universality of values and some researchers, such as Martin Seligman and Rushworth Kidder, have found a commonality of core values across cultures and religions. Kidder, who conducted a cross-cultural survey, identified a “list of five widely shared values: honesty, respect, responsibility, fairness, and compassion” (p. 30). The first step requires participants to articulate their values and the impact of acting on those values. This exercise encourages participants to take their often implicit principles and make them explicit and public, an important first step in bringing about change.

2. Post-decision-making analysis and implementation plan: The GVV curriculum requires participants to examine case studies of protagonists who have been clear about their values and have effectively voiced their principles in difficult situations (all GVV cases are available through the website). The protagonists of GVV cases have concluded what is right, and the cases walk readers through their thinking and actions—to a point: then readers are invited to figure out what the protagonist might do to voice her values effectively. For example, in the “Not Even an Option” case, readers meet Ajith, a pharmaceutical representative in a developing country. Ajith is clear that paying bribes is not an option for him (read his story at the end of this chapter). And, yet, it seems that he and his company will not succeed unless he succumbs to societal norms and pays bribes to government officials to review and accept his company’s registrations for the drugs. Participants analyze Ajith’s situation and ask, given Ajith’s unwillingness to pay bribes, what should he do and say, and to whom? These situations start from the point where the protagonist knows his values and what is right for him to do. GVV is, then, a curriculum about taking actions post decision making.

The analytical work can be further subdivided into three parts. First, participants engage in a stakeholder analysis. This is not the traditional “stakeholder analysis” that encourages a utilitarian weighing and making of trade-offs, but rather is an effort to understand how to effectively influence key people. Second, people need to anticipate how stakeholders might respond to the protagonist’s questioning of the stakeholders’ actions. Gentile calls this the “reasons and rationalization” that a protagonist might expect from others. And, third, Gentile asks, what levers can a protagonist use to persuade stakeholders to join the protagonist’s vision?

3. The practice of speaking one’s values and receiving feedback: One of the central tenets of GVV is the importance of “pre-scripting.” As noted above, the GVV cases often invite readers to decide to whom the protagonist should talk and what she should say. Gentile believes that participants’ practice in speaking their values after they have analyzed a situation “is both a cognitive exercise as well as a behavioral and emotional one” (p. 173). Participants write out a script, speak the script in front of another participant, and receive feedback from a third participant—an observer who acts as a peer coach to the participant who is articulating the script. Delivering a script challenges participants to articulate often vaguely formed ideas, which deepens their sense that they will take action in difficult, future situations.

GVV and Organizational Change

An assumption of this GVV training is that prepared individuals will speak up and in their speaking up people will change the course of events in units, organizations, or even societies. The GVV cases provide numerous examples of people shifting the direction of their organizations. In the Helen Drinan case, for example, Drinan pushes back and speaks up when it seems that a CEO of a hospital system will be let off the hook even though several women have accused the CEO of sexual harassment.¹³ The publicity surrounding this case led the attorney general of Massachusetts to note the problems with governance of the hospital system; eventually the Catholic Diocese of Boston was pushed to sell its hospitals. The point is this: When people think tactically and strategically

about how to most effectively create change around a values conflict, the person or group can be successful. Sometimes this process involves speaking up and at other times the process involves gathering data, asking questions, building a coalition, and/or making alliances with key people. The point of the GVV curriculum is to prepare people to expect conflicts in values and then to take effective action for individual and organizational change.

(4) EMOTIONAL TRANSITIONS THROUGH CHANGE: DUCK

The fourth model captures the people and their emotional responses to the change process. In *The Change Monster: The Human Forces That Fuel or Foil Corporate Transformation and Change*,¹⁴ consultant Jeanie Daniel Duck argues that organizational change evolves in a fairly predictable and manageable series of phases that she calls the “**Change Curve**.” This Change Curve is a “simplification and an approximation” of complex, ambiguous, and volatile human emotions that accompany all types of organizational change, from externally driven mergers and acquisitions to internally planned and managed new programs.

Duck’s Five-Stage Change Curve

1. **Stagnation** occurs when people have their heads in the sand and have an insufficient sense of threat from the external world. This can only end with a forceful demand for change from the external environment, such as a merger or acquisition, or from internal pressures for change from a strong internal leader. It is the leader’s role to push people to see the truth of their situation and to wake them up.
2. **Preparation** begins with a dramatic announcement of change from an internal person, such as the CEO, or from an external force, such as an announcement of a takeover. Immediately, some people feel anxious or jittery; others may be hopeful that needed change is coming; while still others will retreat to cynicism and will not take the announcement seriously. When this rush of emotion occurs, productivity often goes down.
This phase requires a tremendous amount of planning and operational work by the leaders. In addition, organizational leaders must be aligned for the planned change to succeed.
3. **Implementation** is when the journey begins. It includes designing new organizational structures, job descriptions, and lots of other detailed plans. However, operational changes are not enough: Implementation also requires changing people’s mindsets and work practices—in other words, people’s emotional maps and habits.
4. **Determination** kicks in when people realize that the change is real and they will need “to live their work lives differently” (p. 30). Duck argues that “people long for an excuse to quit the hard path of transformation,” requiring leaders to recognize this emotional trap and to pursue the new vision with high energy and enthusiasm.

5. **Fruition** is the time when the hard work pays off and the organization seems new. “The employees feel confident in themselves; they’re optimistic and energized, and they’re able to get their work done with less hassle, in less time, and with better results” (p. 34). Leaders need to make sure that this basking in the satisfaction of the change does not lead to napping and future stagnation.

In 1969, Elizabeth Kübler-Ross observed and wrote in *On Death and Dying* about the five predictable emotional stages in terminally ill patients: denial, anger, bargaining, depression, and finally acceptance. She later said that these observable stages apply to children whose parents are going through divorce and to people who experience traumatic losses, such as parents whose child dies. Although Duck does not reference Kübler-Ross, Duck focuses on predictable human emotional responses to organizational change. In reality, people embrace change differently and at dissimilar speeds; Duck argues, however, that individuals go through similar emotional responses to change. It is the savvy leader who monitors his own emotional response to change, anticipates and articulates underlying negative and positive emotional responses to change in others, and then pulls the group through the negative to excitement and satisfaction with the new order.

(5) MANAGING THE CHANGE PROCESS: BECKHARD AND HARRIS

The fifth model of change, outlined by Beckhard and Harris,¹⁵ has a strong **focus on process**. Building on the work of Kurt Lewin, Beckhard and Harris propose a process model that begins with an assessment of why change is needed. Here the forces for and against change are analyzed and understood. A thorough understanding of the organization and its stakeholders will assist in this analysis.

Following the recognition of the need for change, leaders are faced with the task of defining and describing a desired future state in contrast to an organization’s present reality. This process is called a **gap analysis**. This second step in the change process involves both determining the need for change and creating a powerful change vision. A desired future state allows leaders to identify the gap between the present and the future and how they propose to close the gap. This is one of the most important steps in the Beckhard and Harris Model and one that change leaders need to attend to.

The discussion of how to get from the present to a desired future state represents the action or implementation state. The final step in the change process is to **manage the transition**. Beckhard and Harris provide a useful elaboration of how the process of change occurs. What is not so clear is how to bring the various stages of the model to life, in order to see change through to a successful outcome. The Change Path Model addresses this matter.

(6) THE CHANGE PATH MODEL: DESZCA AND INGOLS

Extracting from the preceding models, years of consulting work, and decades of teaching and talking with managers and executives about change, the

Change Path Model combines process and prescription: There is more detail and direction than Lewin and less instruction than Kotter. We recommend that managers also use Gentile's model to act effectively, especially if there is a conflict in values. Duck reminds us about the all too often neglected side of change: the emotional impact of change. Finally, Beckhard and Harris¹⁶ remind us of the power of a well-executed analysis of the gap between the current mode of operation and the desired state. (Figure 2.2 sets out the change Path Model.)

Step 1: The first process is **Awakening**, which begins with a Critical Organizational Analysis (like Beckhard and Harris). Leaders need to scan continuously both their external and internal environments and understand the forces for and against any particular organizational shift. The most powerful drivers for change tend to originate outside organizations. These forces range from new legislation, new products launched by competitors, new population trends, to new technologies; in fact, it is usually an interlocking web of external factors that make environmental shifts so challenging for organizations to respond to effectively. Leaders *also* need to understand deeply what is going on inside their own organizations. For example, are people with critical competencies leaving the organization? If yes, why is the turnover rate disturbingly high?

Managers need *data* from all significant parts of their organization and stakeholders to understand the dynamics internal to their institutions. Once external and internal data is compiled, leaders need to examine their organizations' situation and talk about how the new challenges from the external and internal environments impact their institutions. Chapter 3 addresses how to diagnose an organization's problems and Chapter 4 focuses on identifying and clarifying the need for change, assessing the organization's readiness for change, and developing the vision for the change.

Step 2: The second step in the process is **Mobilization**, which includes several significant actions. The determination of what specifically needs to change and the vision for change are further developed and solidified by additional analyses and by engaging others in discussions concerning what needs to change and nurturing their participation in the change process. Many assume that the need for change is easily recognizable, obvious, and evident from the environment. Sometimes this occurs, but often it is not the case. For example, if bankruptcy risks are rising or if profits have declined, some people in the organization may believe things must change, but others may not, thinking that what is needed is to simply stay the course until conditions improve. However, once change leaders are convinced of the need for change, it is their job to convince others from the top of the organization to the frontline staff.

Change leaders also need to recognize that there is often a lag between what they know, as the results of their assessments, and what is known by others in different parts of the organization. This lag in information requires change leaders to engage others through multiple communication channels, so that they become convinced of the importance of changing now and not continuing to operate as they have in the past.

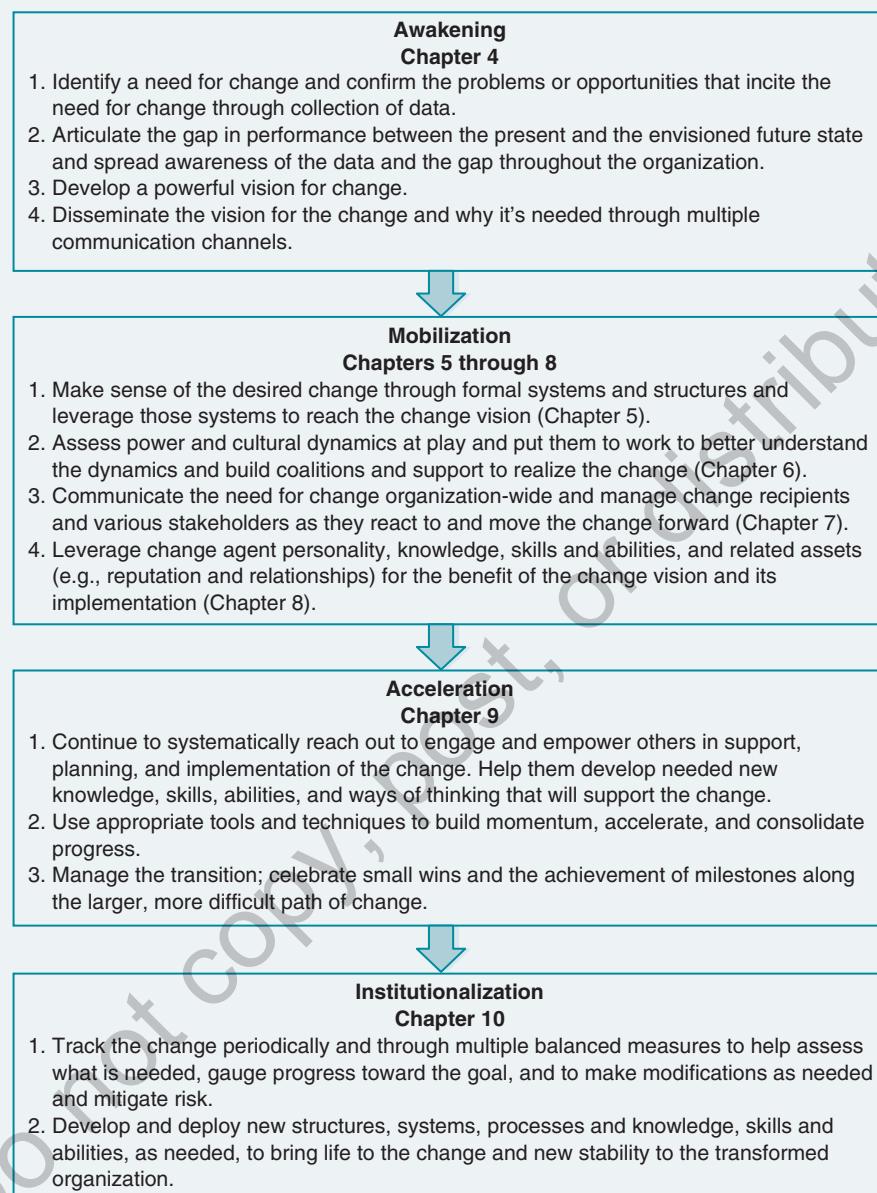
The development of the analysis of the present state and the definition of a desired future state leads to the solidification of the gap analysis—an image of the differences between where an organization presently is and where it needs and wants to go. A manager, for example, might have data that employee morale is low. To take appropriate action to improve employee morale, managers need to understand the root causes of the problem. Is it the pay system? Is it the performance appraisal system? Is the problem found across the organization, or is it confined to certain divisions? The answers to these and other questions may suggest different courses of action. In Chapter 3, several frameworks are described for readers to develop a sophisticated checklist for organizational diagnosis. The gap analysis allows change leaders to clearly address the questions of why change is needed and what needs to change. Being able to clearly and succinctly communicate this, along with the vision for the change, is critical to building shared understanding and support for the change in the organization. Think of this as the value of a clear, succinct, and compelling “elevator pitch” of what you have in mind and why it is worth undertaking.

The analyses of (a) formal structures, systems, and processes; (b) the power and cultural dynamics of the organization; (c) the various stakeholders; (d) the recipients of the change; and (e) the change agents themselves, all help to complete an understanding of the situation and the gaps that need attention. In addition to identifying the gaps that must be addressed, these analyses also help change leaders to understand how the existing situation can be leveraged in order to increase the prospects for success. For example, change leaders need to consider how existing systems and processes can be used to advance the change and how influence can be exercised and support built for the undertaking. Further, they need to assess how their own skills and abilities are best deployed to advance the changes.

Step 3: Acceleration involves action planning and implementation. It takes the insights gained in earlier chapters and translates them into the development and activation of a detailed plan for action, in order to bring the change to life. Appropriate tools are deployed to manage the plan, build momentum, and manage the transition. People are systematically reached out to, engaged and empowered to advance the change. Needed new knowledge, skills, abilities, and ways of thinking are developed in others to support the change. Finally, small wins and the achievement of milestones along the way need to be celebrated.

While the stages of the change process, including acceleration, are depicted as linear and straightforward, the reality is usually quite different. Managing change while operating the organization is like changing the tire on a moving car. Conditions can change in unanticipated ways and change leaders need to be able to learn and adapt their understanding of the situation and what is needed as they go. The way the change is communicated, the specifics of the change, and its implementation may also need to be adapted for different parts of the organization to help them better understand and implement the change within their specific contexts (e.g., production vs. marketing). Transition management plays an important part in doing just that.

Figure 2.2 The Change Path Model



Step 4: Institutionalization involves the successful conclusion of the transition to the desired new state. This is aided by the sophisticated monitoring of progress along the way, including the assessment of when the changes have been incorporated into the fabric of the organization. Measurement can play a very useful role in this area. Understanding the impact of the particular organizational changes we are trying to achieve

depends on our ability to measure such change and this sets the stage for future change initiatives. Measurement and data also play very important roles in earlier phases of the change process.

APPLICATION OF THE CHANGE PATH MODEL

Let's return to the hotel guest's letter presented earlier in this chapter and use it as an opportunity to apply the Change Path process model to an organization that appears to need to change.

Awakening: Why Change?

The general manager might have very good reasons for interpreting the letter as a signal not to change. The hotel already might be in the midst of a computer systems modification and be overwhelmed with this change. Or, the general manager may have a tracking system that indicates that most hotel guests are very satisfied and that this is an unusual occurrence. Or, the general manager may be under pressure to reduce costs and views change as leading to increased costs. Or, the general manager might see himself as exiting the organization and does not want to put the time and energy into changing systems.

On the other hand, the general manager may have the opposite reaction. The letter could trigger the manager to note inefficient processes that cause higher costs (i.e., it is more costly to clean a room twice or have to return to a room to deliver missing towels). If this letter were sent to Trip Advisor, Yelp, or other travel-related websites, then the hotel could experience the loss of customers and a damaged reputation, particularly if there were other unhappy customers who expressed dissatisfaction with the hotel.

Even if the general manager accepts the need for change, the employees might not. At this point in time, they know nothing about the letter. They may feel that their performance is good and no change is needed. They might have a department manager who doesn't follow up on directives and, thus, they could believe that no action is necessary. Or, they might be new to their jobs and be poorly trained in customer service.

The challenge for the change leader is to articulate "why change" and their initial vision for the change to key stakeholders in ways that they will understand and move them to positive actions.

Mobilization: Activating the Gap Analysis

The present state of the hotel operations has several dimensions that could be addressed. The following gaps might exist:

- A gap in information between room readiness and the information that the desk clerk has
- A gap between what the hotel's managers say they will do and what they actually do
- A gap between the appropriate bill and the bill given to the customer

- A gap between the desired interpersonal relationships between employees and customers and that which exists
- A gap between the desired handling of hotel guests and that which occurs

Each of these gaps could require different action plans for change. Careful analysis will demonstrate that there are underlying issues that need to be dealt with. For example, if the organization's culture has evolved to one that is not focused on customer care and relationships, the individual gaps might be difficult to correct without a systematic approach. This gap analysis, then, needs to be used by change leaders to further develop and frame the vision for change. This vision plays a critical role in helping others understand the gap in concrete terms by contrasting the present state with the desired future state.

Taking an organization through the process of change requires going through predictable stages of change. Some organizational change experts, such as Kotter (1996)¹⁷ and Duck (2001),¹⁸ argue that a leader must successfully take the organization through each stage before moving to the next stage. While our experiences suggest that context matters and we challenge a rigid prescription of stages of change, we do believe that there is a predictable beginning, middle, and end process of change, and these set the stage for future pressures for change. Things don't stand still.

Acceleration: Getting from Here to There

In this phase, specific actions are undertaken to advance the implementation of the desired changes. Several planning tools can be used (see Chapter 9). If the general manager in the hotel case decided that the issue to be tackled is computer systems, then the implementation plan and actions might include the following steps:

- Discuss the need for change, the gap analysis, and the vision for change with involved staff to develop a consensus concerning the need for action.
- Form a users' task force to develop the desired outcomes and usability framework for a new computer system.
- Contact internal information systems specialists for advice and assistance on improving the hotel's information system.
- Identify the costs of systems changes and decide which budget to draw on and/or how to fund the needed systems' changes.
- Work with the purchasing department to submit a "request for proposal," promoting systems' suppliers to bid on the proposed system.
- Contact human resources to begin staffing and training plans.
- Implement the plans.

This list of sample tasks lays out the actions needed to accomplish the change. In Chapter 9, we identify tools that help in planning. For example, there are tools to assign responsibilities for different aspects of projects and others for contingency plans. Other tools illustrate how to manage during the transition.

Organizations usually don't stop what they are doing because they are changing! In the hotel, for example, rooms will need to be made up, allocated, and assigned while the information system is being modified. In particular, receptionists will need to ensure a seamless transition from the old to the new system. In many system changes, parallel systems are run until the bugs in the new system are found and corrected. Hotel receptionists need to be trained on the new system. How and when that will be done in this implementation phase is part of the managerial challenge during the transition state.

Institutionalization: Using Data to Help Make the Change Stick

The final aspect of the model deals with the measurement of change and the metrics used in that measurement. How will the general manager know that the changes implemented are working? Managers can measure inputs easily, such as the number of hotel receptionists who are trained on the new system. But management will also need to track the number of times rooms are misallocated. This is a more difficult problem because the staff could be motivated to prevent accurate reporting from such a system if the results could put the staff in a negative light. Chapter 10 talks about measurement and control methods that can assist change managers in navigating the path forward.

Models improve change managers' abilities to plan and implement organizational change and to predict outcomes. The Change Path Model provides a practical framework that lays out a linear process for change. This model, like others, risks having change managers oversimplify their challenges. Cause–effect analysis is complex because organizations are nonlinear, complex entities and the constantly shifting external environment impacts an organization's customers and resources. An overreliance on superficial thinking can lead to errors in judgment and unpleasant surprises. Organizations are more surprising and messier than people often assume.

Coordination and control of change may appear fairly straightforward. However, the reality is that organizations often undertake multiple change projects simultaneously. For example, a factory may be shifted toward a continuous improvement process while other parts of the organization are being restructured. Different managers are working on separate change projects to make things better. Under such complexity, control is difficult and likely involves multiple layers of authority and systems. Difficult yes, but coordination and integration of efforts toward shared goals can be accomplished when approached carefully, thoughtfully, and empathetically. See **Toolkit Exercise 2.2** to examine a change initiative through the Change Path process and differentiate between the how and what of change.

SUMMARY

This chapter differentiates what to change from how to change and uses several models to explicitly consider how to change. Successful change management requires attention to both process and

content. The Change Path Model serves as the organizing framework for the chapter sequence is laid out using the model. See **Toolkit Exercise 2.1** for critical thinking questions for this chapter.

KEY TERMS

How to change—relates to the process one uses to bring about change

What to change—relates to the assessment of what it is that needs to change—in other words, the content of the change

Sigmoid curve—describes the normal life cycle of something including an initial phase, a growth phase, deceleration, and decline

Lewin's Model of Change: Unfreeze → Change → Refreeze

Unfreezing—the process that awakens a system to the need for change—in other words, the realization that the existing equilibrium or the status quo is no longer tenable

Change—the period in the process in which participants in the system recognize and enact

new approaches and responses that they believe will be more effective in the future

Refreeze (or re-gel)—the change is assimilated and the system reenters a period of relative equilibrium

Kotter's Eight-Stage Change Process

Establish a sense of urgency—upend complacency in order to communicate the need for change

Create a guiding coalition—a team of a significant number of people (10 to 50) who have titles, lead divisions and departments, and have the respect of their colleagues and relevant knowledge to lead the change

Develop a vision and strategy—an overarching dream of an inspiring future and how to get there

Communicate, communicate, communicate—capture the hearts and minds of most employees

by communicating through multiple channels and multiple times the vision for change

Empower employees—helping employees embrace the vision and support necessary structural mechanisms

Generate short-term wins—highlight short-term gains to keep employees motivated

Consolidate gains and produce more change—continue pressing forward until the change seeps into the deepest recesses of an organization

Anchor new approaches—embed the changes in the organization's cultural norms and values

Gentile's Giving Voice to Values

Clarification and articulation of one's values—articulation of one's own values and the impact of acting on those values, making implicit principles explicit

how to voice opinions in difficult situations

Post-decision-making analysis and implementation plan—understanding

The practice of speaking one's values and receiving feedback—pre-scripting situations in order to practice voicing values

Duck's Five Phases of People's Reaction Model

Change Curve—a simplification of the complex, often volatile, human emotion that accompanies change

Stagnation—occurs when people have an insufficient sense of threat or challenge from the external world

Preparation—requires a tremendous amount of planning and operational work and alignment of leaders

Implementation—includes designing new organizational structures, job descriptions, and lots of other detailed plans as well as

changing people's mindsets and work practices

Determination—motivation to continue the long path to transformation

Fruition—is the time when the hard work pays off and the organization seems new

Beckhard and Harris's Change-Management Process

Focus on process—is key to this model with a step-by-step prescription for change

Gap analysis—describing a desired future state in contrast to an organization's present reality

Manage transition—the final step in the process key to a successful change initiative

The Change Path—Cawsey-Deszca-Ingols

Awakening—the stage of the process in which the need for change is determined and the nature of the change or vision is characterized in terms others can understand

Mobilization—the identification of the distance between the desired future state and the present state at which the system operates

Acceleration—the stage of the process in which plans are developed for bridging the gap between the current mode of operation

and the desired future state and the means by which the transition will be managed. A key part of this stage includes action planning and implementation.

Institutionalization—the process of making the change inherent in organizational processes. Also, a consideration of how to measure change and what measures will be used to help identify where the organization is and the level of success achieved.

END-OF-CHAPTER EXERCISES

TOOLKIT EXERCISE 2.1

Critical Thinking Questions

The URLs for the videos listed below can be found in two places. The first spot is next to the exercise and the second spot is on the website at study.sagepub.com/cawsey4e.

A visit to the following website will provide the reader with numerous videos, cases and other materials related to the Giving Voice to Values curriculum.

<https://www.darden.virginia.edu/ibis/initiatives/giving-voice-to-values/>

1. Giving Voice to Values:

Please read at the end of this chapter: “Not an Option to Even Consider: Contending with Pressures to Compromise,” and consider the following questions:

- Who are the important stakeholders that Ajith needs to work with?
- What are the main arguments that Ajith will need to counter? In other words, what are the reasons and rationalizations that Ajith should expect to encounter with the different stakeholders?
- What levers can Ajith pull to increase the chances that Laurent’s drugs will be registered? In other words, what power and/or influence does Ajith have to get what he wants?

- Gentile talks about the importance of Giving Voice to Values to frame and address ethical issues and change. Meet in small groups and discuss an issue organizations have to deal with that has conflict of values imbedded in it. Would positive change be advanced if we were to adopt the methodology recommended by Gentile?
2. Kotter's Eight-Step Organizational Change Model: Sydney Boone, Ayushmaan Baweja, and Steven Thomsen—12:57 minutes
- <https://www.youtube.com/watch?v=LxtF4OXzhyl>
- This video delves more deeply into Kotter's process model of change.

- What are the key lessons you learned from the video?
- How do they help you think about the process of leading change?
- Compare this approach with the Change Path Model. What are their similarities and differences, and how would you work with both models if you were leading change?

Please see study.sagepub.com/cawsey4e for a downloadable template of this exercise.

TOOLKIT EXERCISE 2.2

Analyzing a Change Process through the Change Path Model

Part I

Interview a manager at any level who has been involved in change with his or her organization. Ask the person to describe the change, what he or she was trying to accomplish, and what happened. Use the following questions as guides for the interview.

- How was the desired change identified? What were the reasons for the change?
- Describe the gap between the organization's current performance and the desired future state.
- What was the vision for the change? How was that vision communicated throughout the organization?
- How were the formal structures, systems, and processes involved in the change?
- How were the recipients of change and other key stakeholders engaged in order to get them on board with the change?
- What tools and trainings were used as the change was implemented, and how did the leadership make the change stick?
- What challenges surfaced that weren't accounted for in the original change plan?
- What were the results of the change process? Did the results reflect the original vision? How was measurement used to facilitate change at different stages of the process?

Part II

After the interview, describe the process of the change by answering the following questions that are related to how they managed the process:

- How did the manager work to make things happen?
- Who was involved?
- How did they persuade others?
- What resources did they use?
- Also describe what was being changed? Why were these things important? How did these changes help the organization?
- As you reflect back on the interview, which do you feel was more important to the impact of the change: how things were changed, that is, process, or what was changed?

Please see study.sagepub.com/cawsey4e for a downloadable template of this exercise.

“NOT AN OPTION TO EVEN CONSIDER:” CONTENDING WITH THE PRESSURES TO COMPROMISE (A)[†]

By Heather Bodman, Researcher, and Cynthia Ingols,
Professor of Practice

School of Business, Simmons University, Boston, MA

Ajith sighed as he hung up the phone. Once again, the health ministry had failed to move his registration application forward so that his company, Laurent Pharmaceuticals, could begin selling prescription medications in the Southeast Asian state of Kamaria. Though this new delay wasn’t entirely unexpected, Ajith, a seasoned pharmaceutical executive, was still disappointed. Ajith’s primary goal ever since arriving in Kamaria a year earlier to serve as director of operations and chief resident representative overseeing Laurent’s in-country businesses, had been to obtain these registrations. Laurent’s existing businesses included personal care products and over-the-counter medications. Laurent hoped to enter the pharmaceutical and vaccine markets but without the registrations, Ajith knew that the firm could not enter the market, restricting the firm’s ability to grow the small but promising Kamarian business.

His disappointment was not only due to the delays themselves, but also to the reasons for them. The products that Laurent Pharmaceuticals intended to introduce specifically addressed growing major health concerns in the country. Ajith suspected that if his application could get past the first gatekeeper and into the hands of the health ministry’s review committees, he could make a compelling case for introducing Laurent’s products into Kamaria and dramatically improving the health of its citizens. Yet other companies appeared to be getting priority over Laurent. “What was quite amazing to us at the time was

that companies who came with files six months later or three months later, were getting registrations extremely quickly,” Ajith recalled. How were his competitors achieving these results? “They were basically bribing the gatekeeper and their files quickly ended up in the review committees, and they then probably met up with the review committee people and starting doing the same,” Ajith realized. “They were getting quite a few registrations, so what we finally saw was that all sorts of registrations were coming through for our competitors and none for us.”

Every day, the pressures on Ajith increased. Both his commitment to uphold the official policy of the company, which stated that compromise was unacceptable, and his strong sense of personal integrity—a source of professional and personal pride for Ajith—were being tested. Externally, the competitive pressures were mounting as other companies’ managers compromised and obtained registrations. Internally, Ajith’s Laurent managers were becoming impatient with the obstacles to progress and were beginning to think that policy or no policy, compromise was the only way forward. Ajith disagreed, but he knew that he needed to articulate a better way.

To make matters worse, further difficulties had arisen in the over-the-counter market that Ajith also oversaw in Kamaria. Laurent Pharmaceuticals produced a widely used over-the-counter painkiller under the brand name Theradil. At first, this product was quite successful in Kamaria, achieving over 50% market share

[†]This case was prepared by Heather Bodman under the supervision of Professor Cynthia Ingols of Simmons University School of Business. This case was inspired by interviews and observations of actual experiences but names and other situational details have been changed for confidentiality and teaching purposes.

by 2008. But Ajith had recently begun to notice that Theradil's market share was eroding. Cheap, locally produced imitation products of inferior quality had begun to pop up in the pain relief market, decreasing Laurent's market share considerably. In investigating further, Ajith discovered that the factories producing the fake Theradil were run by former generals of the Kamarian army, who had been awarded these factories as rewards for their years of service and as spoils of war. Any attempt to shut them down could further impact Laurent Pharmaceuticals' ability to operate in Kamaria, and could potentially pose personal dangers for Ajith, due to the powerful nature of the individuals who ran these operations.

Ajith remained calm in the face of these challenges, reflecting that "these were standard issues that go with the terrain of operations in this part of the world, and especially the developing nations." Still, he acknowledged, "the situation after one year of operations in Kamaria was grim." How could he obtain registrations for the pharmaceutical products without compromising his integrity? And what strategies could he use to combat the growing problem of imitation Theradil without impacting Laurent's ability to do business in Kamaria?

HISTORICAL CONTEXT

Kamaria is a small, single-party state located in Southeast Asia. A former European colony, Kamaria suffered through decades of brutal civil war in the 20th century and finally achieved independence in 1987. Though it remained a closed market through the end of 1998, Kamaria began to open its markets to the outside world the following year, establishing a small private sector dominated by small- and medium-sized businesses and encouraging foreign-owned enterprises to set up local operations. By 2008, Kamaria was recognized as a fast-growing and export-driven emerging economy. The government of Kamaria was seeking to use their new status on the world stage to negotiate favorable trade agreements with the UK, the United States, and other developed nations to ensure the continued success of their exports. As in other developing

countries, however, corruption was a problem that impaired Kamaria's ability to attract significant foreign direct investment, in spite of the attractiveness of its rapidly growing markets and manufacturing sector. Another issue facing Kamaria in trade agreements was the general lack of control they exerted over intellectual property, which was a concern to Western companies across a diverse set of industries, from entertainment and electronics to consumer goods and pharmaceuticals.

Laurent Pharmaceuticals was originally founded in the late 18th century as the first compounding pharmacies were beginning to appear throughout Europe. During the 19th century, Jean-Philippe Laurent inherited the firm and under his leadership, the company expanded into industrial manufacturing of chemical agents and early forms of pharmaceutical products. Though business suffered during the turbulent first half of the 20th century, Laurent recovered and became one of the first manufacturers of antibiotics, developing into one of the leading manufacturers of antibiotics and vaccines in the world by the 1970s. Today, they have evolved into a multinational, research-driven pharmaceutical and chemical company with operations in over 40 countries, including the United States, the UK, the EU, Australia, and dozens of emerging and developing nations. Producing and selling prescription medications for a variety of indications, as well as over the counter medications and personal care products, Laurent Pharmaceuticals is now one of the largest pharmaceutical companies in the world, earning \$42 billion in revenues worldwide in 2008.

GROWING A BUSINESS

In 1988 Ajith began his career in marketing, working for a large multinational firm in his home region of South Asia. After moving to Laurent Pharmaceuticals in 2000, he accepted several international posts, which took him to the Middle East and East Africa. Working in these challenging markets honed his talent for management of in-country operations in developing countries, attracting the attention of Laurent's regional management in Southeast Asia.

In 2008, Ajith was recruited to serve as director of operations for Laurent's business in Kamaria.

Initially, Ajith managed Laurent's operations in Kamaria from Singapore, introducing over-the-counter medications and personal care products. In a short period of time, Laurent achieved a 50% market share in the lucrative pain relief market in Kamaria on the strength of its huge Theradil brand, an over-the-counter analgesic, creating a small but profitable (approximately \$60,000 USD annually) operation. The next step in growing Laurent's Kamarian business was to enter the pharmaceutical market. To facilitate this new venture, Ajith was tasked with starting up a local office in Kamaria:

Basically, when I went down to Kamaria, my first task, besides setting up the office, was to try and meet with the ministry of health officials and prepare all the registration files for all the vaccines that we needed to register and all the antibiotics we needed to register and accelerate the registration process.

By about mid-2006, we had set up operations and we had started building a small team. We had probably about 15 to 20 medical delegates on board now, who were mostly qualified doctors—medical doctors—who were on the team as medical delegates. The pay that they were getting in government hospitals was pretty low, and I think that they saw this as an attractive option for them.

At the time, doctors in the state-run hospitals in Kamaria could expect to make approximately \$30 USD per month. Ajith noted, "I think they were all finding it quite difficult to exist with that income." Doctors who became medical delegates to international pharmaceutical companies like Laurent could expect to start at \$70–\$100 USD per month, and could potentially earn as much as \$200 a month if they were successful. "They had to make a call at that time," Ajith said, "and make a decision as to what they wanted to do." Doctors could not work for the hospitals and

the pharmaceutical companies at the same time, "but they had the option of moving out anytime they wanted back into being doctors, and some of them saw this as a short-term measure to collect some cash."

By the time Laurent Pharmaceuticals entered the Kamarian market, there were already approximately 30 competitors operating in Kamaria, including companies based in the United States, Europe, South Korea, and India, along with many local firms. "The Korean and Indian companies all had similar portfolios in terms of products to what we had. There were also Kamarian competitors, but very much in the lower-end product categories, like over-the-counter medicines, not in the high end vaccine and antibiotics businesses." Though competition was healthy, the market was booming.

In part, this rapidly growing market was fueled by growing health concerns in Kamaria, as Ajith explains:

There were two major health issues in Kamaria at the time. The first one was Hepatitis B. Hepatitis B in Kamaria has almost a 10% carrier rate, which means 1 in 10 Kamarians are prone to Hepatitis B. And the second big issue that was rising rapidly in Kamaria was resistance to antibiotics. Antibiotic resistance had now reached close to 18%, which meant that lots of frontline antibiotics were no longer effective amongst close to 20% of Kamaria's population. So most of the drugs that we were trying to register were high end vaccines for Hepatitis B and also the better antibiotics that we had in our portfolio, because Laurent has always been a world leader in both vaccines and in antibiotics and continues that leadership today. So, we knew the need was there, we knew the consumer problem was there, and we also knew that our products were significantly superior in delivering the remedial action compared to the drugs that we were getting registered.

Pharmacists, Ajith noted, were a key population that Laurent needed to reach in order to make any progress against antibiotic resistance. “I don’t think too many Kamarian pharmacists know what it is to deliver a prescription and not under-deliver a prescription, and also educate consumers of the need for giving the full antibiotic dose as opposed to under-dosing themselves.”

It would not be possible for Ajith to undertake such a marketing campaign himself until he was able to convince the Kamarian government to issue registrations for Laurent Pharmaceuticals products:

We were quite perturbed because it had taken close to one year that we’d been there, and we were struggling to get anywhere with registrations. It was becoming more and more clear that if we needed registrations that we had to be ready to compromise, and that the Korean companies were compromising, and the Indian companies were compromising, and some of the other European companies were compromising.

Compromising was not an acceptable solution for Ajith, however:

It was extremely clear to me that that was not an option for us to even consider. That was a very clear integrated policy in the company and we practiced that in almost every market where we operated. However, I must mention that if left up to some of the managers, they would also compromise. Now for example, at the time I was running Kamaria for Laurent, the guy who was running [a major competitor] was compromising. So having an integrity principle is one thing, but deciding whether to practice it or not, depending on the pressure you are getting from the company, is another thing. I can tell you that I was getting quite a lot of pressure from my regional head and

from the global operations people because they were seeing very little for progress in growing the Kamaria business.

At the same time, problems were brewing in the previously robust over-the-counter business that Laurent Pharmaceuticals was operating in Kamaria.

We realized that sales of our brand of pain reliever, Theradil, were beginning to crash down rapidly. We had probably about 50% of the market in Kamaria for pain relievers, and we were suddenly seeing a massive decline from a 50–55% share down to about a 30% share, and when we began to investigate this further, we found that there were close to 12 brands of fake imitation Theradil in our market.

Testing of samples of the fake Theradil products revealed that consumers who purchased these brands were being seriously underdosed—at best, the imitation pain relievers contained 72% of the minimum standard dose of the active ingredient, with the most inferior substitutes containing just 36% of the standard dose.

To address the imitation Theradil problem, Ajith hired a law firm to investigate these issues and made a disquieting discovery.

Almost all the 11 fake Theradils that were available in different parts of Kamaria were manufactured by factories formerly owned by the Kamarian government which were run by the then-generals of the Kamarian army. These generals had been given a pharmaceutical factory each, as compensation or recognition of their great contribution to the success of the Kamarian war at the time. In different parts of Kamaria, each of these guys had their little companies and it doesn’t cost much to get a printer and develop your own artwork ripping off the competition.

With their government connections, Ajith knew that it would be difficult to put pressure on these factory owners to shut down their operations, particularly since, as Ajith observes, they made no attempt to hide what they were doing.

Most of these companies were putting their factory addresses at the bottom of the pack. The detectives didn't have to do too much detection to figure out what was happening, because this was a reasonably flagrant violation. Anyway, they probably knew that they were sort of above the law at the time and could get away with it, so they probably didn't worry too much about that.

By the time Ajith uncovered the extent of the Theradil problem, eight submissions of registration paperwork to the ministry of health for Laurent antibiotics and vaccines had now been missed. "We were now having a sales decline in our base business, and not having the opportunity to grow the potential business, and that was very much the situation we were in," Ajith recalled.

DEVELOPING RELATIONSHIPS

In the course of launching the office in Kamaria in 2008, Ajith had recruited a dedicated local management team. This team oversaw the staff of doctors and supervised all other aspects of day-to-day operations of Laurent in Kamaria. Ajith's commitment to accountability and transparency in his organization were inspirational to his staff. Determined to fit in with his staff, Ajith began learning the Kamarian language, and only stopped conducting meetings in Kamarian when his staff expressed their desire to practice their English with him instead. He also plied his team for their expertise on a wide range of issues involving local customs and traditions, gaining insight into the tightly-knit culture of Kamaria. This expertise helped shape the vision Ajith was forming of what Laurent could offer the Kamarian consumer once the pharmaceutical registrations were approved.

At the same time, Ajith had been working closely with the French embassy in Kamaria as Laurent's operations were ramping up. In recent discussions with embassy officials, Ajith observed that the upcoming trade negotiations were a frequent topic of speculation, with strong opinions on all sides of the debate. Some embassy officials felt that the government of Kamaria was simply too corrupt to be considered a good free trade partner. Others saw great potential in Kamaria, and supported Europe's participation in free trade agreements with Kamaria, but worried about the weak protections in Kamaria for intellectual property. Still others advocated for totally open trade, arguing that once Kamaria entered the global market, market forces would require the government to behave differently or risk losing their lucrative export position.

TAKING ACTION

Ajith sat at his desk and pondered his options. He did not want to compromise, but unless he took some action, he knew that his management would give up on Kamaria and he would have to leave. In fact, some members of his legal team went so far as to suggest that it would be in his best interest to leave Kamaria, due to concerns about the reaction from the powerful factory owners about the investigations into the production of imitation Theradil. But Ajith was not willing to give up quite so easily. He knew that Laurent's products, particularly the vaccines and antibiotics, could make a real, long-term difference in addressing the growing health concerns for the people of Kamaria, and this motivated him to pursue a creative solution. Surely there was a path forward that did not involve either compromising or turning a blind eye to illegal competition, and Ajith felt that he was up to the challenge.

What resources could he use to motivate the Kamarian government to review his submissions and issue registrations? Who were the stakeholders that Ajith needed to involve? What levers could he use to address the growing problem with fake Theradil? And how could he address these issues without compromising his values and the values of his company?