



# Strategic Management

## Managing Change

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## Learning Outcomes

- Differences in scope of strategic change
- Effect of organisational context on design of strategic change programmes
- Role of change agents and styles of managing change
- Discuss the strategy for effective turnaround
- Levers for influencing strategic change
- Unintended consequences of change programmes



# Managing Strategic Change

- Tendency towards organisational inertia and resistance to change
- Top *and* middle managers (and below) are responsible for strategic change
- Need to link the strategic and the operational aspects of the organisation
- Managing change is context dependent

# Key Elements in Managing Strategic Change

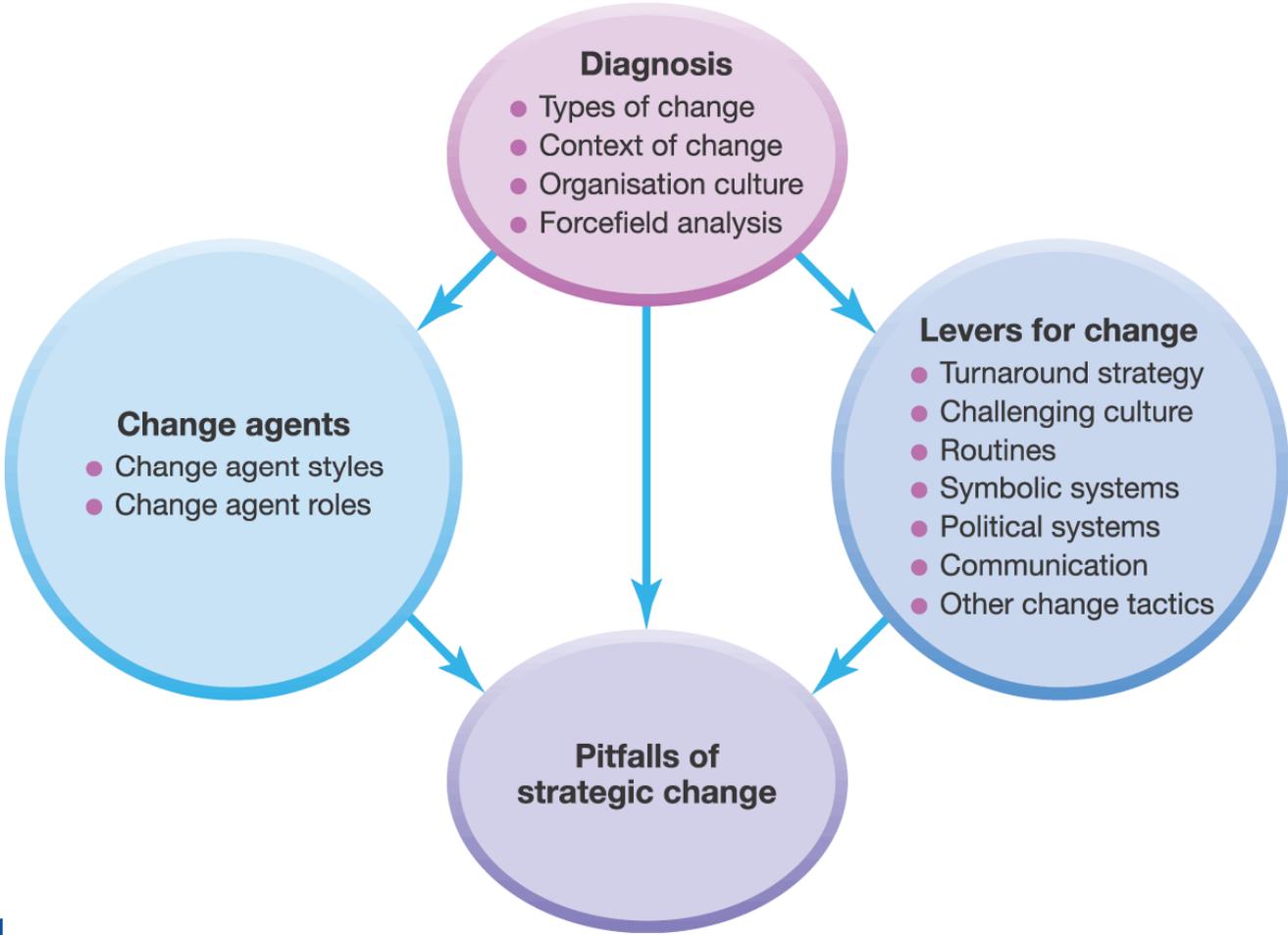


Exhibit 10.1

# Diagnosing the Change Situation

- Why is strategic change needed?
- Basis of strategy
  - Strategic purpose/strategic intent
  - Bases of competitive advantage
- Specific possible directions and methods of strategy development
- Changes in structures, processes, relationships, resources and activities required
  - To translate strategic thinking into action

# Types of Change

		Scope of change	
		Realignment	Transformation
Nature of change	Incremental	Adaptation	Evolution
	Big Bang	Reconstruction	Revolution

Source: Adapted from J. Balogun and V. Hope Hailey, *Exploring Strategic Change*, Prentice Hall, 1999.

## Change Kaleidoscope (Balogun and Hope-Hailey, 2002)

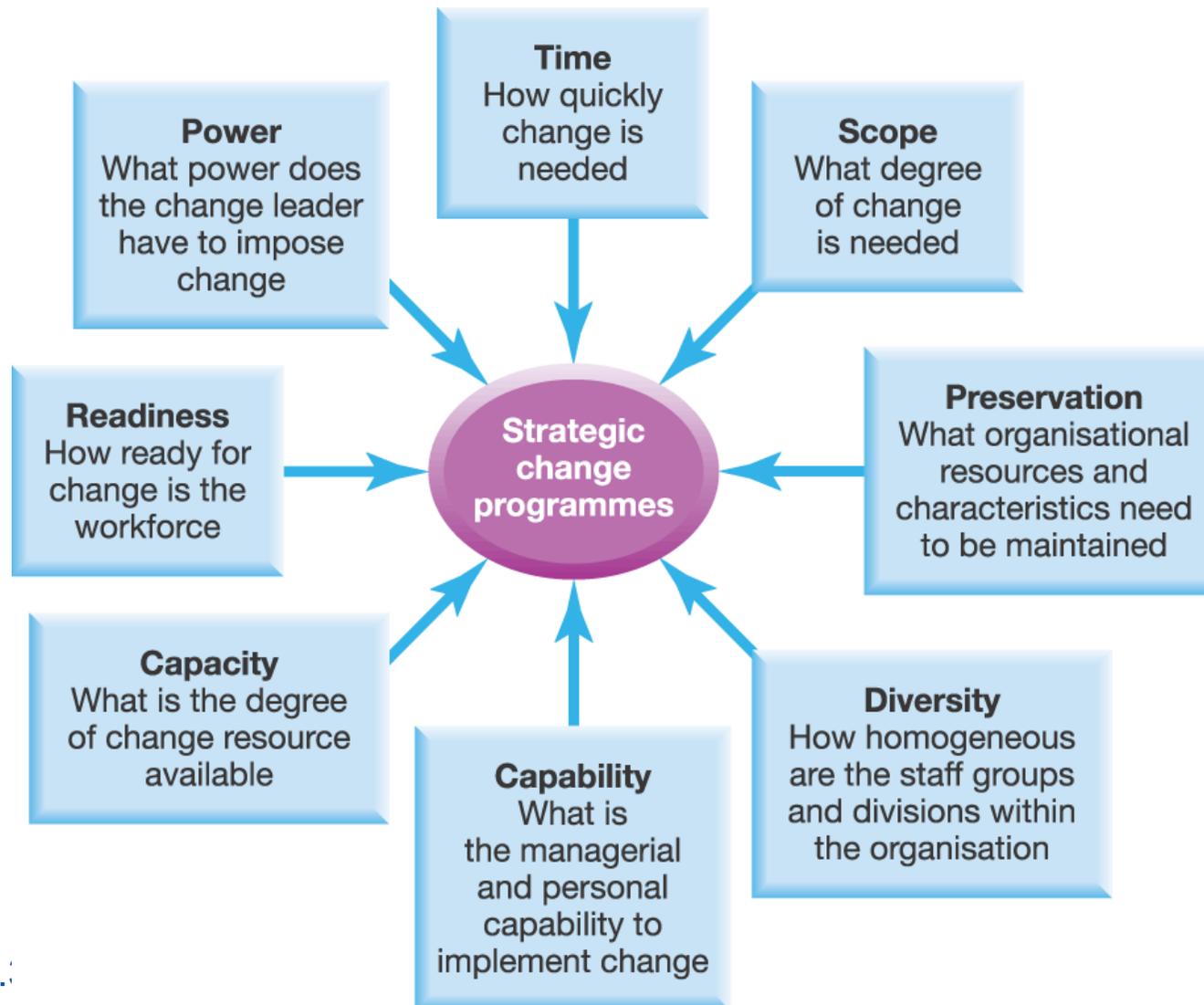


Exhibit 10.1

# Diagnosing context and change problems

- Cultural Web
  - Diagnostic tool to understand culture
  - Covers hard and soft aspects
    - Structures and control systems (hard)
    - Symbols, routines, political processes (soft)
  - Can be used to analyse changes needed for strategic success
    - Map current and required culture
- Forcefield Analysis
  - Identifies forces for and against change
  - Provides an initial view of change problems that need to be tackled

# Styles of Managing Change

Style	Means/Context	Benefits	Problems	When effective
Education/ Communication	Briefings Internalisation Trust	Overcome lack of information	Time consuming Unclear	Incremental change/long duration/horizontal transformational change
Collaboration/Participation	Involve in developing strategy	Ownership/ improved quality	Time/Within current paradigm	
Intervention	Change agent coordinates/ controls	Guided but with involvement	Perceived manipulation	Incremental/ non-crisis transformation
Direction	Use authority to set direction	Clarity and speed	No acceptance/ill conceived	Transformational change
Coercion/ Edict	Explicit use of power through edict	May succeed in crisis	Least success unless crisis	Crisis/rapid transform/auto-cratie culture

# Roles in Managing Change (1)

- Change Agent
  - Individual or group that effects strategic change in an organisation
- Strategic leadership
  - The process of influencing an organisation in its efforts towards achieving an aim or goal
  - Charismatic leaders
  - Instrumental or transactional leaders

## Roles in Managing Change (2)

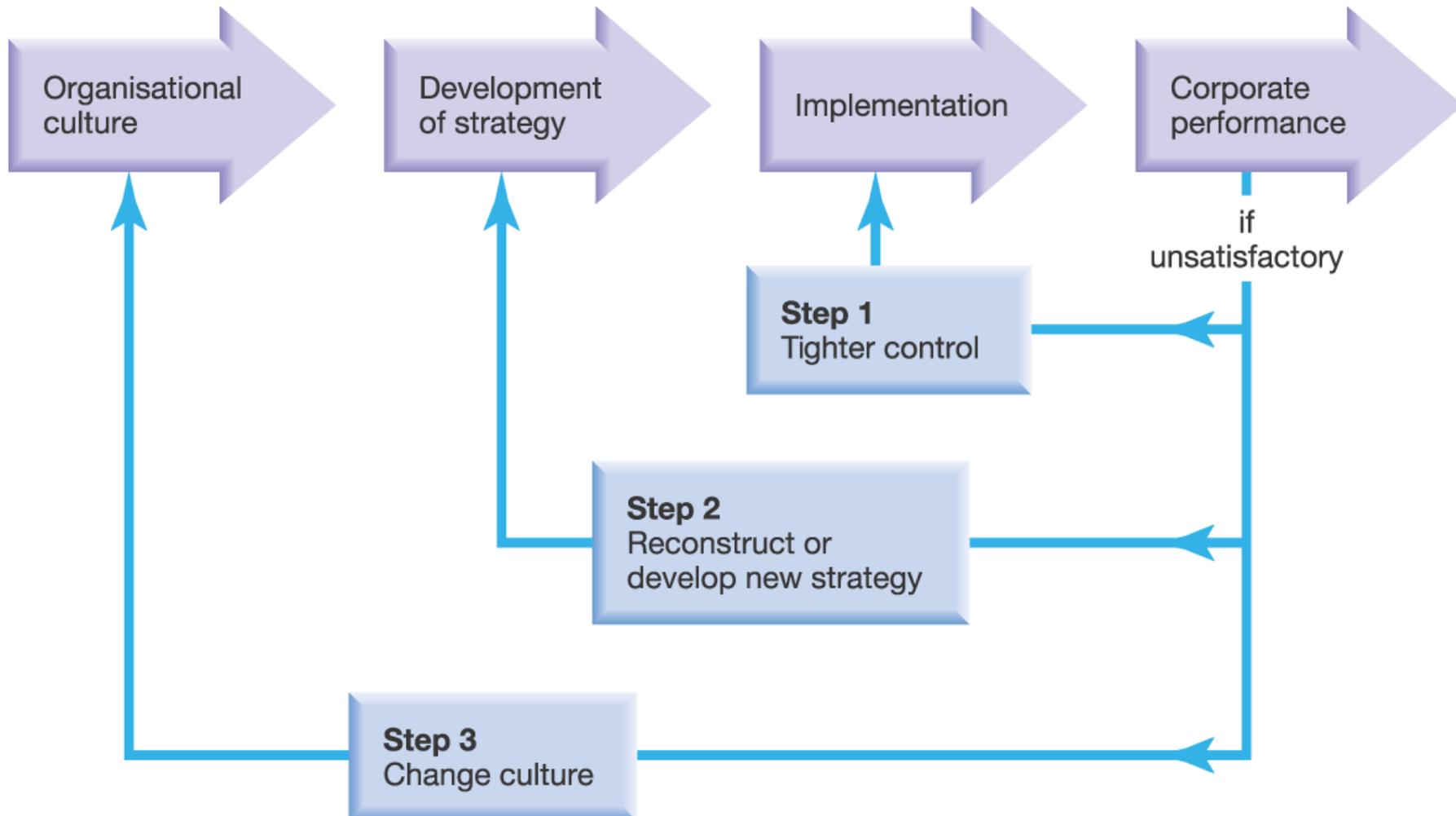
- Middle managers
  - Facilitators or blockers?
  - 5 roles in managing strategic change
    - Implementation and control
    - Translators of strategy
    - Reinterpretation and adjustment of strategy
    - Relevance bridge between top managers and lower managers
    - Advisors to senior management on blockages and requirements
- Outsiders, e.g. new CEO, new management, consultants, key influencers (stakeholders)

# Machiavelli's "The Prince"

There is nothing more difficult to handle, more doubtful of success and more dangerous to carry through than initiating change in a state's constitution. The innovator makes enemies of all those who prospered under the old order, and only lukewarm support is forthcoming from those who would prosper under the new.

Machiavelli (1513)

# The Dynamics of Paradigm Change



Source: Adapted from p. Grinyer and J.-C. Spender, *Turnaround: Managerial recipes for strategic success*, Associated Business Press, 1979, p. 203.  
Exhibit 11.5

## Levers for Managing Strategic Change

- Turnaround
  - Managing rapid strategy reconstruction
- Challenging the taken for granted
- Changing organisational routines
- Symbolic processes
- Power and political processes
- Communicating and monitoring change
- Change tactics

# Turnaround strategy (1)

- Emphasis on speed of change, rapid cost reduction and/or revenue generation
- Prioritisation of things giving quick and significant improvements
- Crisis stabilisation
- Management changes
- Gaining stakeholder support

## Turnaround strategy (2)

- Clarifying the target market
- Re-focusing
- Financial restructuring
- Prioritisation of critical improvement areas
- Focus on getting the business right, not look for new markets

## Turnaround: Revenue Generation and Cost Reduction

Increasing revenue	Reducing costs
<ul style="list-style-type: none"><li>● Ensure marketing mix tailored to key market segments</li><li>● Review pricing strategy to maximise revenue</li><li>● Focus organisational activities on needs of target market sector customers</li><li>● Exploit additional opportunities for revenue creation related to target market</li><li>● Invest funds from reduction of costs in new growth areas</li></ul>	<ul style="list-style-type: none"><li>● Reduce labour costs and reduce costs of senior management</li><li>● Focus on productivity improvement</li><li>● Reduce marketing costs not focused on target market</li><li>● Tighten financial controls</li><li>● Tighten control on cash expenses</li><li>● Establish competitive bidding for suppliers; defer creditor payments; speed up debtor payments</li><li>● Reduce inventory</li><li>● Eliminate non-profitable products/services</li></ul>

# Challenging the taken for granted

- Need to change the paradigm
  - Get people to see the realities
- Mechanisms
  - Evidence from strategic analysis
  - Analysing what people take for granted
    - Workshop sessions
    - Bring into open
    - Debate and challenge
  - Scenario planning to overcome bias and cultural assumptions
  - Bringing managers face to face with reality (customers)

# Changing organisational routines

- Routines are the “way we do things around here”
  - Can become core rigidities
  - Difficult to adapt to new strategies
- Mechanisms
  - Identify critical success factors and underlying competences
  - Bring strategy down to operational levels
  - Changes in routines make strategy meaningful
  - Doing is better than thinking
  - Education/communication less powerful than involving people
  - Persistent extending and bending existing ways of doing things

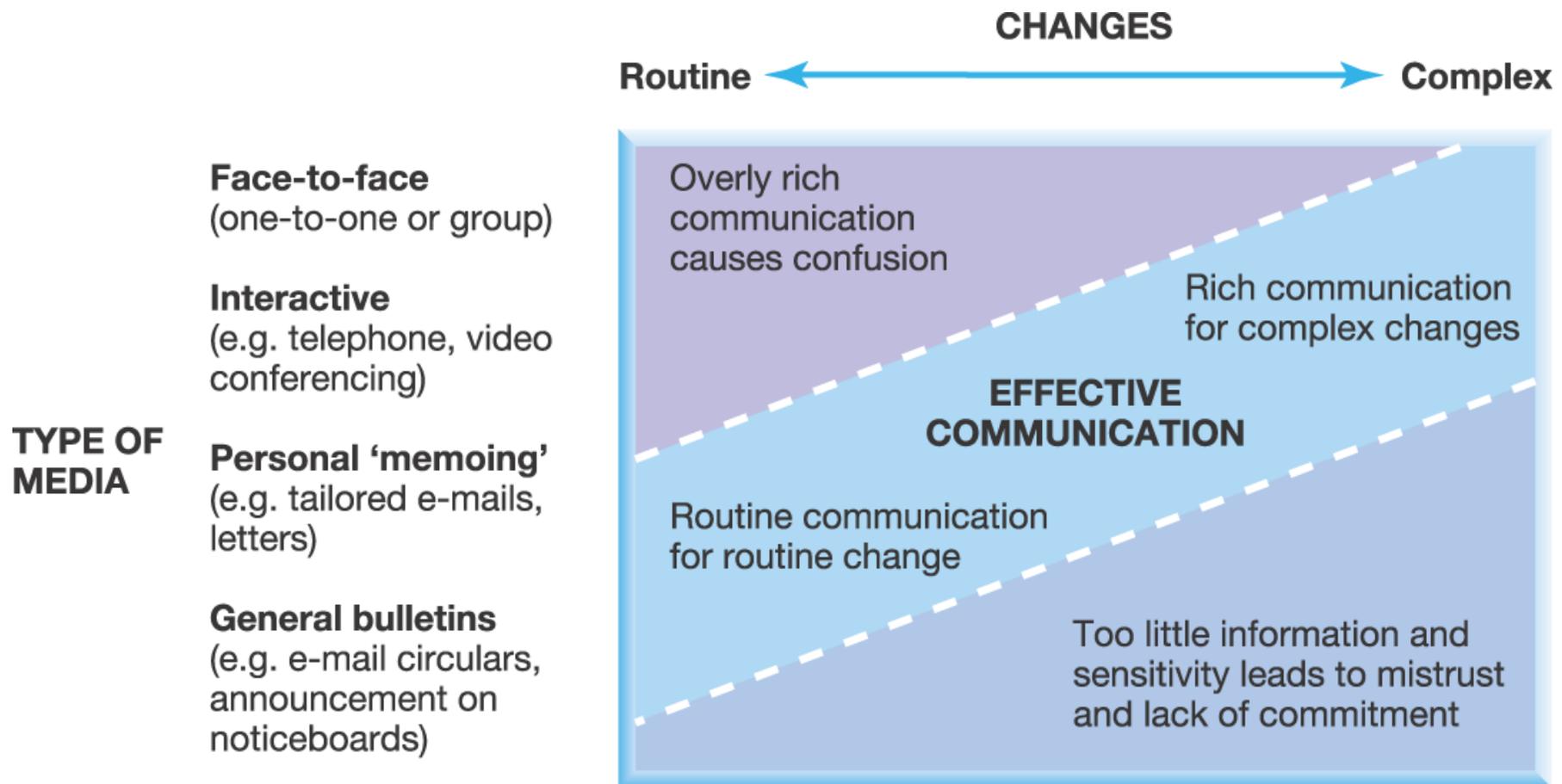
# Symbolic Processes

- Symbols are objects, events, acts or people which express more than their intrinsic content
  - Changing symbols helps reshape beliefs and expectations, as meaning is apparent in day to day experiences
- Mechanisms
  - Introducing new rituals/abolishing old ones
  - Change systems and processes
  - Change physical work environment
  - Behaviour of change agents
    - Language – metaphors to galvanise change
    - Stories
- Problems
  - Symbolic levers may be misinterpreted

# Organisational Rituals and Culture Change

Types of ritual	Role	Examples
Rites of passage	Promote social roles/ interaction	Induction/training programmes
Rites of enhancement	Recognise effort Motivate others	Awards ceremonies Promotions
Rites of renewal	Reassure about action Focus on issues	Appoint consultants Project team
Rites of integration	Push shared commitment Reassert norms	Christmas parties
Rites of conflict reduction	Reduce conflict/ aggression	Negotiate commitment
Rites of degradation	Acknowledge problems Weaken political roles	Fire top execs Demote/pass over
Rites of sense-making	Share interpretations	Rumours, surveys
Rites of challenge	Throw down the gauntlet	New CEO behaviour
Rites of counter- challenge	Resist new ways	Grumble, work to rule

# Effective and Ineffective Communication of Change



Source: Adapted from R.H. Lengel and R.L. Daft, 'The selection of communication media as an executive skill', *Academy of Management Executive*, vol. 2, no. 3 (1998), pp. 225–232.

# Change tactics (1)

- Timing
  - Use crisis as catalyst for change
  - Windows of opportunity, e.g. post take-over, new CEO
  - Symbolic signalling of timeframes
  - Choose time for promoting change to avoid unnecessary fear and nervousness

## Change tactics (2)

- Job losses and de-layering
  - Tactical choice, e.g. remove blockers of change or senior managers to give signal
  - Avoid creeping job losses – reduce insecurity
  - Demonstrate visible, responsible, caring approach to those who lose their jobs
- Visible short-term wins

## COUNTERMOVES TO CHANGE

- Divert resources
- Exploit inertia
- Keep goals vague and complex
- Encourage and exploit lack of organisational awareness
- *'Great idea - let's do it properly'*
- Dissipate energies
- Reduce the change agent's influence and credibility
- Keep a low profile