Why Do Change Management Strategies Fail?
---Illustrations with case studies

Xiongwei SONG
Department of Politics, University of Sheffield

ABSTRACT: Change management is crucial to the survival and development of organizations, the more effectively you deal with change, the more likely you are to thrive. However there are a large number of failures of change management. Organizational change itself is a considerably complex activity; any tiny mistake in change management could lead to the failure of organizational change. Consequently this paper is impossible to encompass all factors that could result in the failure of change management. This paper attempts to explain why change management strategies fail from four perspectives (leadership, culture, people issues and quick response) that are major factors to determine whether change management is successful or not.

INTRODUCTION
Change for organizations both large and small, whether in the private, public or voluntary sectors has been inevitable for the past decades or so. Such trends of organizational change are increasing in frequency, pace, complexity and turbulence under current situation, and there appears to be no sign of abatement. The concrete purposes of change management for different organizations are probably not the same, but the ethos of change management is the same, that is, making the organizations more effective, efficient, and responsive to the turbulent environment changes. Through the comparison of the trends of change in private and public sector organizations in the UK, there are many common traits we can draw, such as, Focus on quality and value for money, flatter structures, decentralization, downsizing, and rapid advancement in the application of information technology and so forth (Hamlin, 14). It is evident that the trends of change in private sector organizations are the same as, or similar to those in public sector. Therefore I will analyse the reasons why change management fails from a general perspective. In this essay, it will be divided into three parts. The first part is to illustrate the conception of ‘change management’ and the importance of it. The second part describes the current situations of change management. In the third part, I extract four most important factors (leadership, culture, people issues and capabilities of quick response) influencing the effect of change management to

* email: pop05xs@shef.ac.uk
WHAT IS CHANGE MANAGEMENT? WHY IS IT IMPORTANT?

“Change is inevitable for individuals, organizations, and society, such as technology changes, values and attitudes change, goals and needs change, resource availability changes, laws change, political control of government changes” (Heffron, 1968:152). Change management is a systematic approach to dealing with change, both from the perspective of an organization and on the individual level. For organization changes, we can define that change management as “activities involved in (1) defining and instilling new values, attitudes, norms, and behaviours within an organization that support new ways of doing work and overcome resistance to change; (2) building consensus among customers and stakeholders on specific changes designed to better meet their needs; and (3) planning, testing, and implementing all aspects of the transition from one organizational structure or business process to another” (GAO, 1998) For organizations, Demands for change are now constant and impending. According to Champy and Nohria, “there are three major drivers stirring organizational change faster than ever before are as follows: technology, government and Globalisation” (Champy and Nohria, 1996). In the first place, technology affects organization structure, determines the nature of individual jobs, affects employee attitudes and behaviour, and controls the informal social structure within the organization and ultimately determines the organization’s ability to accomplish its goals (Arthur, 1980: 212-214). Richard argued that “technology is the knowledge, tools, techniques and action used to transform inputs into outputs” (1983:159). The emergence of new technology can speed up or change the process of the transformation from inputs to outputs. For example in business new technology could greatly reduce the cost of production and enhance the profits; in public sector, according to the theory of Perrow that each of his four basic types of technology (Craft, Nonroutine, Routine and Engineering) was associated with a characteristic organizational structure, for instance, Routine technologies would lead to a machine bureaucratic structure (cited from Herron, 1968: 128). Therefore the appearance of new technology would result in the structure change in public organizations.

Secondly, with the influence of ‘good governance’ in public sector, the government on a worldwide basis began to rethink its role and position in the market, initiating deregulation, privatisation and devolution (Hamlin et al, 2001:14). Government itself has been changing for a long time. Take British Government for example from 1979-1995, because The Conservative Party believes in the pursuit of individualism and the freedom of choice rather than state provision or collectivism, and the culture of the private sector would lead to a more efficient and effective public sector, the British Government was committed to ‘rolling back the frontiers of the state’. Rhodes stated from 1979-1994 that “ the British government’s programme can be broken down into six broad parts: introducing the minimalist state, reasserting political authority, extending regulation, audit and evaluation, reforming public sector management and structure, democratising the public sector, and transforming the culture” (1997:88).

Finally, globalisation is widely recognized as a fundamental feature of our time. It has a far-reaching implication towards every aspect in our society. Globalisation has forced many national companies restructure their operations to reposition themselves in a broader and more open market place (Dawson, 2003:114). They have to base their strategies on complex and multi-faceted focuses instead of a single focus. In terms of public sector, globalisation has facilitated connection and coordination among governments and nongovernmental organizations.
and also caused major changes in the character of the modern state, such as the reinforcement of supraterritorial governance organizations, the increasing degree of interdependence among modern states, gaining the information-age advantages to process information, the growing role of governments as partners with the private sectors and the shift of the administrative state from a welfare state to a corporate state (Farazmand, 1999: 514-515). From the above, it is apparent that there is an unavoidable trend that many organizations whether in public or private sectors are changing and becoming ‘slimmer and flatter’. Therefore change management is considerably important as a sort of systematic approach to deal with changes.

THE FAILURE OF CHANGE MANAGEMENT

Even though it is of critical importance to have an organizational change in public or private sectors, how many changes have been successful, achieved the aimed-for goals or increased competitiveness and profitability. “The management literature reports many examples of managerial failure in both the formulation and implementation of strategy, particularly strategies involving significant organizational change and development” (Hamlin, 2001:16). For example according to the survey of TQM programme from Schaffer and Thompson, in 229 ones from the surveyed 300 electronics companies in the USA, 63 percent failed to reach the improvements in quality and only 10 percent of these programmes were successful (Schaffer and Thompson, 1992).

The picture is almost the same in Europe. Although over two thirds of the top 500 companies in Britain have introduced TQM, only 8 percent of managers (in these companies) believe it has been successful (Wilkinson et al. 1993). Such a high proportion of organizational change fail is to some extent astonishing. Therefore it is worthwhile and important to ferret out why change management strategies fail.

WHY CHANGE MANAGEMENT STRATEGIES FAIL?

The organization is in constant evolution and the pace of change is accelerating. As a result the ability to introduce organizational change has become a strategic imperative. Yet the failure of rate remains alarmingly high, why is that? What should organizations do to reverse the trend? It is apparent that there are many factors both internally and externally contributing to the failure of change management Organizational change is a considerably big project, even some tiny ignorance to some point would probably lead to the failure of change management strategies. In the following, I will extract four key observations, which to a large extent are closely relevant to the failure of change management with reference to case materials.

1. FAILURE OF THE TRANSFORMATION OF LEADERSHIP

Leadership as a concept and a set of practices has been the subject of an enormous quantity of popular and academic literature. Most of this literature is about particular approaches to, or models of, leadership. Although it is difficult to reach the consensus about the precise meaning of leadership, Yukl claimed “ most definitions of leadership reflect the assumption that it involves a social influence process whereby intentional influence is exerted by one person (or group) over other people (or groups) to structure the activities and relationships in a group or organization” (Yukl, 1994: 3). Leadership theories vary from different approaches and models. In the following I will brief the theories of leadership and come to the conclusion that there is no ‘one best way’ theory of leadership, meanwhile employ case studies to demonstrate that under the situations of
change management leaders are required to harness the skills and capabilities of others to adapt to different situations in collaborative way.

The approach of ‘one best way’ contend that there is one best way of exercising leadership and there is a particular set of characteristics which good leadership should possess (Senior, 2002:223). The first point of this approach is about the traits of leadership. The trait theorists have presumed many characteristics of the successful leadership. Generally speaking, “drive (achievement, ambition, energy, tenacity, initiative), leadership motivation (personalised or socialised), honesty and integrity, self-confidence, cognitive ability and knowledge of the business”, along with the traits of intuition, emotional intelligence and excellent interpersonal skills, are major indicatives and necessary traits for successful leadership (Senior, 2002:221-229).

Secondly, in terms of leadership behaviour, Wright maintains that four main leadership styles of behaviour can be identified, “concern for task”, “concern for people”, “directive leadership”, “participative leadership” (Wright, 1996:36). However, no one seems to be the best style in all situations. Given this, they argue that there must be the best appropriate leadership behaviour to leading change. Built on the two dimensions (employee-centred and production-centred leadership), Blake and Mouton proposed that the most effective leadership style is one, which is high on both dimensions and created ‘The leadership grid’, in which it assumed that ‘Team Management’ style is one best style of leadership—regardless of any situation (Blake, 1964).

Obviously ‘one best way’ has been criticized by some researches and other theories on leadership. For example, early research operated by Mann and Stodgill came to the conclusion that there were few relationships between the traits possessed by leaders and their performance (Senior, 2002:224). In contrast with the approach of ‘one best way’, other theories argued that successful leadership should be contingent upon the organizational situation prevailing. For example, in a turbulent environment, ‘leader as hero’ is better than ‘team as hero’. No ‘one best way’ can be applied in any situation. There are primarily four models to illustrate that leadership style ought to adapt to the changes of situations, which are ‘Behaviour along a continuum’, ‘path-goal theory’, ‘situational theory’ and ‘contingency model’ (Senior, 2002:235-242). The major differences among them are the distinctions of definitions and dimensions of ‘the situation’. For example, ‘Behaviour along a continuum’ uses a threefold categorization to delimit ‘situations’; according to the ‘forces’ that they say should determine the style of leadership to use. In terms of the model of ‘path-goal theory’, it stated that there are two dominant situational factors contributing to determine the employment of leadership style, which are ‘the characteristics of the team or group members’ and ‘the nature of the task or job and immediate context’ (Hersy and Blanchard, 1993). Generally speaking, as the contingency theories of leadership show, leadership style and behaviour can vary according to the different characteristics of different organizational situations. Certainly we are not denying the importance of leaders’ characteristics, excellent characteristics would be helpful to be a good leader. However leadership style should be changed according to different situations, if not, it would result in the death of organizations, or failure of change management strategies.

CASE STUDY: (LEADERSHIP TRAINING AND DEVELOPING)

This case study is a positive one that demonstrates Hewlett-Packard (HP) paid attention to the transformation of leadership from stable, autonomous business environment to unstable environment, and finally gained the good outcomes of change management.
In January 2002 HP faced extraordinary challenges, firstly “HP was adjusting to a major reorganization, which reconfigured over 80 separate business units into just 4 global business units, secondly, the company was completing and implementing its merger with Compaq, thirdly the backdrop was a weakened economy following September 11 and the dot-com downfall, forcing the first large-scale layoffs in the company’s history” (Conversant, 2004). Under this new situation, the following new concerns were identified: “Line managers did not support priorities for action; Decision-making was slow; Cross-boundary cooperation was weak; the changes in processes, metrics, rewards, and behaviour to support the shift to a customer-centered business strategy needed to be accelerated; Accountability for measurable results needed to be increased” (ibid). In face of these tricky questions, HP Company took a program (leadership training and developing) to train all managers and make sure the successful transformation of Leadership. “The program provided a common and effective set of tools to accelerate collaboration and contribution” (ibid). Consequently, “94 percent of participants (managers) reported that they had used the Dynamic Leadership tools to advantage in the first three months after training; Participants identified specific, measurable benefits from the training time and money saved by reaching decisions and gaining alignment more quickly” (ibid).

From this case study, it is apparent that HP Company has clearly realized that leadership style has to be transformed by virtue of the change of situations, and also taken the ‘training and development’ programme to meet the challenge of requiring more ‘team-work’ spirit and ‘efficiency’ in situations. For example, one participant said, “Dynamic leadership skills helped me remove needless discussion and ‘arguing’ time from the meetings” (ibid). Therefore from this case study we can come to the conclusion that the transformation of leadership in different situations is considerably significant and failure of doing it could constitute the big threat to the success of change management.

2. FAILURE FROM NOT FULLY APPRECIATING THE SIGNIFICANCE OF THE CULTURE ISSUES

Culture is a complex conception, and many definitions can be found in different literatures and backgrounds. Some definitions refer to culture on the ‘grand scale’, for example Hofstede uses his definition to delineate one national culture from another (Hofstede, 1981). Other definitions used more specific means to describe the definitions of culture. For instance Drennan stated that “culture is ‘how things are done around here’” (Drennan, 1992:3). Collectively, these definitions reach the consensus that “culture is an objective entity which can be identified and which delineates one human grouping from another” (Senior, 2002:125). In terms of organizational culture, it also encompasses many different definitions and dimensions from different perspectives. Based on the objectivist (functional view of culture), organizational culture is placed alongside structure, technology and the environment as one of the variables, which influence organizational life and performance (Senior, 2002:129). In contrast according to interpretive view of culture, “organizational culture is not something an organization has; a culture is something an organization is” (ibid). However considering organization culture as one variable of an organization constitutes the mainstream of theories of organizational culture. Therefore the definition of organizational culture I would choose is in the following: “The deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic ‘taken for granted’ fashion an organization’s view of its self and its environment” (Schein, 1992:6). Organizational culture
manifests itself in a variety of ways. In order to analyse the culture of a particular group or organization, Schein distinguished three fundamental levels at which culture manifests itself: a) observable artefacts, b) values, and c) basic underlying assumptions (Schein: 1990:111).

According to Schwartz and Davis (1981:35), “Organizational culture is capable of blunting or significantly altering the intended impact of even well-thought-out changes in an organization”. There are a number of different views on the forms of organizational culture. For example Kanter gives detailed descriptions of two extremes of organizational culture which not only are different in structural characteristics but also differ in the underlying attitudes and beliefs of the people working in them (Senior, 2002:156). The first is a ‘segmentalist’ culture and the second is an ‘integrative’ culture. Segmentalist culture stress on ‘weak coordination’, ‘compartmentalization’ and ‘stressing precedent and procedures’. Integrative culture more emphasize ‘encouraging cooperation’, ‘combination’ and ‘looking for novel solutions to problems’ (ibid). Different forms of organizational culture could lead to be supportive of, or against organizational change in different situations. For example, Brooks and Bate revealed in the transformational change in the British civil service how the major change initiative, which had been imposed top-down, had been frustrated by a strong, resilient, yet ‘non-relevant’ cultural infrastructure applying at the grass-roots level of the organization (Hamlin, 2001:25). It is very critical and important to emphasize and assess the role and influence of organizational culture in change management. Schwartz and Davis devised a means of measuring organizational culture by employing a matrix to assess organizational culture, which help management pinpoint where they are likely to meet resistance to change because of incompatibility between change management strategies and culture. “This further allows them to make choices regarding whether to: a) ignore the culture; b) manage around the culture; c) try to change the culture to fit the strategy; or d) change the strategy to fit the culture, perhaps by reducing performance expectations” (ibid:163). Especially assessing culture become much more significant, in that it is quite possible for a group or an organization to hold conflicting values that manifest themselves in inconsistent behaviour as some organizations are merging. All in all, considerations must be given to managing organizational culture or even changing the strategy to take account of the culture in change management.

In the above, I have illustrated the conceptions of ‘culture’, ‘organizational culture’ and ‘the importance of culture in change management’. In the following I will employ one case study to explain that failure of not fully appreciating the importance of culture issues would result in the failure of change management, especially as the merger happened between two different organizations.

CASE STUDY (CULTURE CLASH MAY SPARK SCHRODERS’ EXODUS: BANK’S RIVALS HAVE ALREADY STARTED APPROACHING TOP STAFF)

This case study primarily focuses on the culture clash between Schroders and Salomon Smith Barney, Citygroup’s investment bank into which they are to be integrated when two banks merged in order to demonstrate that culture issues are considerably important for successful change management.

According to Figure 1, it is apparent that culture between Schroder and SSB is to a large extent different. Schroder tended to be traditional culture norm and client-driven; instead SSB is more inclined to be ‘wheeler dealer’ and product-driven.
Figure 1: Culture differences between two banks

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<tr>
<th>Schroder</th>
<th>Salomon Smith Barney (SSB)</th>
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<tr>
<td>Japanese style</td>
<td>American style</td>
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<td>Family style</td>
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<td>Long term employment</td>
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<td>Soft perspective</td>
<td>Hard perspective</td>
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<td>Client service</td>
<td>Product driven</td>
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**Threats from culture clash to the merger**

“One banker said: ‘Many of us liked working at Schroders, because we felt part of the family and now feel the family’s thrown us away’” (Senior, 2002:168). From this comment, it is obvious that culture clash has resulted in the sense of insecurity of bankers in Schorder. The second threat is that Rival bankers were trying to pick off some of the City’s most prized corporate financiers through stirring fears of a massive culture clash after merging. These threats could lead to the bankers’ exodus and top staff probably would lose confidence to Scholder, which in turn cause to decrease the value of merger or make the situation much worse than not merging. Consequently it will probably result in the failure of change management.

**Measures taken from Citygroup to retain top staff**

In face of this situation, “Citygroup is attempting to retain up to 200 key staff by earmarking about 250m dollars for loyalty bonuses” (ibid), which considerably match its own culture. As a matter of fact, that alone will not be sufficient to retain the best bankers, but they are also expected to be offered equity.

In this case study, we can come to the conclusion that culture issues are big pitfalls in the process of merging between two banks, and it is insane to lose sight of the influence and role of culture in the process of change management.

3. FAILURE OF MANAGERS PAYING ATTENTION TO THE SIGNIFICANCE OF PEOPLE ISSUES AND ADAPTING TO EXTERNAL ENVIRONMENT CHANGES QUICKLY

Few people can doubt that the management of people is considerably important to the success of today’s change management. Failure to attend to the concerns of the people is one of top ten mistakes in the process of change management. “In many instances, neither the top management team initiating the change programme nor the coalitions of managers, trainers and developers lead the change process given sufficient attention to the people issues” (Hamlin, 2001:25). In this part I divide ‘people issues’ into two parts, one is ‘people issues in formal organization’ and the other is ‘people issues in informal organization’.

Formal organizations are composed of formal elements such as structure, strategy, technology and overt organizational culture, in which personnel are recruited, trained, distributed to specific jobs, evaluated through performance appraisal system, motivated, rewarded and paid (Hunt, 1992:214-228). In large part people within formal organizations resist changes because they perceive that organizational change will break their established and familiar working environment, and threaten their self-valued interests. For example “technological change may be
viewed as implied criticism, wounding workers’ self-esteem, workers may fear that their skills and abilities will be devalued, that they will be unable to acquire needed new skills, and that new technology will result in less satisfying and more boring or monotonous jobs” (Heffron, 1968:154). Organizational change also will lead to the redistribution of power and resources, which cause the fear to organizational changes. For example the transformation from bureaucratic to slimmer-flatter structure would unavoidably place some top managers into the position of middle managers in the new structure, and decrease some personnel’s interests such as unemployment and the sense of job security due to the adjustment of organizational divisions, which therefore result in the resistance to organizational change.

However organizational life does not merely mean formal organization such as organizational structure, strategy and technology, which you can see on the official charts. Informal organization is the network of individual and social relations, formed naturally based on common interests, hobbies, similar social status and nature of jobs, and not constrained by formal organizational regulations (Gai, 2003). It has its own core leader, culture, structure, norms and rules, which probably is not compatible with those of formal organization. Ignorance of informal organization would be a fatal flaw to managers. They should try to understand how things are done, who control this grouping as the core leader, and what is their culture in informal organization, to see whether the goal of informal organization is compatible with that of formal organization. Failure of doing it would make things used to be easy and obvious became difficult. Especially in the process of organizational change, people in different informal organizations would conceive it as a big threat to break their firmly established interpersonal relationship that offer them senses of self-identity and security, consequently causing the resistance from these people to organizational change. All in all people issues are significant to the success of change management. Managers have to effectively manage the human side of change, which means pay the close attention to the psychological processes that people experience in dealing with change, whether planned or unplanned (Skilling, 1996).

In addition to appreciating the importance of people issues in organizational change, every organization has to own the capacity to adapt to external environment changes quickly. It is only because that each organization has a unique specific environment within which it operates, successful change management requires to have a quick and proper adaptation to the characteristics of that environment. According to Heffron, environment consists of five dimensions, which are ‘social and cultural values’, ‘the political and legal environment’, ‘the technological environment’, ‘the human environment’, and ‘the economic environment’ (1968:57-69). Especially increasingly the environment of organizations is becoming unstable, sometimes turbulent. Therefore managers’ failure of adapting to external environment changes will lead to the failure of change management strategies as well.

CASE STUDY: (INERTIA AND THE DEATH OF THE SUIT: 1960S LEEDS OFFERS A USEFUL CASE STUDY)

This case study primarily concentrates on the description of the inability of companies that dominate their markets to shift direction when consumer tastes change or when new technology comes along. Try to substantiate that a quick and proper response to the external environment changes is very important to change management.

In 1960s suit companies business began to fall down and lose momentum with the transformation of external environment. Firstly, Men’s clothing became more casual,
fragmenting the market and undermining the ‘style monotony’ of the inter-war years; Secondly the degree of competition has been increased, for example a rise in imports from low-cost suppliers in the Far East and continental Europe; Thirdly new technology emerged in 1960s, such as high-skill and technology-intensive manufacturing; Fourthly the requirement of gender equity was becoming stronger than before, and female workers made their voices heard more (Owen, 2000).

Facing these new situations, suit companies in Leeds should be sensitive to and prepared as early as possible for external environment change, however The multiple tailors were ‘catastrophically slow’ to respond to the new situations. One possible measure was to move up-market, but a few Leeds manufacturers did so (ibid). Most of them eventually abandoned manufacturing and became pure retailers. Furthermore the industry still mainly relied on a low-skill, labour-intensive manufacturing strategy, which had constituted a large obstacle to adapt the new situations. Overall this case reminds us that the old formula should be abandoned as it becomes clear that the game is up (external environment changes), and do something different (ibid).

In this case study, it is apparent that organizational inertia and failure of having a quick response to the external environment changes has resulted in the death of suit companies in Leeds, not mention to lead to the failure of change management.

CONCLUSION

This essay is by no means possible to provide fully covered factors contributing to the failure of change management. Based on the illustrations of ‘what is change management, why it is important and current situation of the change management’, I primarily extracted four key observations, which to a large extent are closely relevant to the failure of change management. In terms of the first factor (leadership), firstly I briefed some theories on ‘leadership’, and agreed that there is no ‘one best way’ leadership style, which has to be transformed according to the different situations. Secondly a positive Case Study was employed to demonstrate the importance of the transformation of leadership to the success of change management. With regard of ‘organizational culture’, built on the illuminations of ‘what is culture, organizational culture and the significance of organizational culture in the change management’, another case study was used to explain that not fully appreciating the significance of culture issues would probably lead to the failure of the change management. With reference to ‘people issues’ and ‘quick response’, two divisions (people issues in formal and informal organizations) on people issues had been categorized to illustrate why people issues in change management are important, meanwhile two case studies were provided to support the arguments that ‘failure of paying attention to the significance of people issues and quick response to external environment change would in a large proportion result in the failure of change management.

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