Dynamic competitive environments prompt organizational leaders to alter or transform their strategies. That process of strategic renewal places new expectations on employees at all levels. Translating renewed strategies into altered patterns of behavior, behavior that supports the new strategy and contributes to sustained outstanding performance by the organization—that is the change implementation challenge.

This chapter will explore theories of implementing change that can be called upon to help guide interventions. In particular, the chapter will:

- Present the three phases of the planned change theory of Kurt Lewin
- Delineate the key insights to effective implementation offered by the field of Organizational Development
- Explain an approach to change management that emphasizes task requirements and performance results
- Examine theories of change resistance that encourage managers to learn from resistance rather than treat it simply as a negative force to be overcome

First, we can look at an attempt by the president of a small but prestigious local bookstore to improve financial performance in the face of competition from national chains as well as from Internet giant Amazon.com.

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**TALES OF WOE AT CONCORD BOOKSHOP**

It’s like a family quarrel that nobody wants and nobody knows how to stop.

The Concord Bookshop, a 64-year-old independent store regarded as one of the best in New England, is beset by a bitter clash between owners and staff. The conflict...

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CHAPTER 2  Theories of Effective Change Implementation

puts pressure on the store at a time when independent booksellers are reeling from competition from chains and the Internet.**

Eight of Concord Bookshop’s employees, including the trio of top managers, have quit or given their notice. The staffers’ years of service add up to 73. The three managers, including [the] general manager . . . have worked at the store for a total of 34 years. Meanwhile, a group of outraged local authors . . . has fired off a letter to the owners supporting the staff.

The precipitating event was a surprise announcement last month by the owners—a group of three families represented by a board led by President Morgan “Kim” Smith of Concord—that a new general manager will be hired. No one was laid off, and no one’s salary was cut. Yet many of the staff were outraged at the de facto demotions, as well as by what they saw as the owners’ immovable stance. . .

“We asked for a meeting with the whole board,” says [a departing staff member]. “We presented our concerns, and they thanked us for our input and said, ‘We’re going to do it our way, and if you don’t like it, each of you will have to make up your mind as to how to proceed.’ Something in me died, the fragile alchemy that made it such a great place to work had died. They had made their plans, we were expendable employees, and we could take it or leave it.”....

“We’re heartbroken about it,” says David Donald, professor of history emeritus at Harvard University . . . “These are people we deal with all the time. It’s a wonderful store, beautifully arranged. They are knowledgeable and are glad to look things up.” Adds Joanne Arnaud, director of the Boston Literacy Fund and a Concord resident who also signed the letter: “What makes the Concord Bookshop different is the people and their institutional memory and their memory for a customer. I can say: ‘I’m looking for a book for someone who liked the last book by Nicholas Basbanes. Can you help me?’ They are so warm and welcoming.”

The clash appears to be rooted in finances. Smith declined to give numbers but portrayed the store’s financial situation as dire.

“Things have never been worse,” he says. “We are offering something important to the town of Concord, which is wonderful, but it isn’t profitable.” Smith praises the three managers but says, “The owners felt the three-way management was not working out.”

The managers say finances aren’t so bad. They . . . issued a written comment: “In explaining to us the change in management structure, the owners told us they wanted to take the store in a different direction. We hold different opinions regarding the financial health of the store. We are very proud of what we have been able to accomplish these past five years.”

There’s no disagreement, though, that profit margins are tighter than ever, and that the past few years have been rough on independent bookstores, especially in the age of Barnes & Noble, Borders, and Amazon.com. Smith believes some of the store’s programs should be reexamined, such as regular weeknight author appearances and signings, which require paying staff to keep the store open.

“Increasingly, people are buying their books elsewhere and bringing them to signings,” Smith says. “We had 70 people at the Tracy Kidder signing, but we sold only

**Concord, a prosperous suburb of Boston, Massachusetts, is the site of the opening battle of the American Revolutionary War. Its rich literary history dates back to the nineteenth century when it was the home of the transcendental writers, notably, Ralph Waldo Emerson and Henry David Thoreau.
10 books. I discovered a guy coming in with five copies of the book that he bought [elsewhere]. We want to preserve the store, but we need to make the finances work.”

There’s no dispute, either, on Concord’s national reputation in the trade. “It is one of the jewels of New England,” says . . . [the] executive director of the New England Booksellers Association. . . “They are the kind of store that’s on everyone’s A list. Publishers are interested in what Concord buys. They ask, ‘How is Concord doing with the book?’ They are exemplars for reaching out to the community and in cultivating authors” . . .

The conflict illustrates the special place a bookstore can have in a small community, especially one such as Concord, with its numerous authors and links to such literary giants as Emerson and Thoreau. The store is regarded as a community resource, not just a business.

“This is Concord vs. Concord,” says Martha Holland, who is quitting after 18 years. “There were a hundred points where it could have been smoothed over. How it got so out of hand, I don’t understand. The owners have every right to run their business as they see fit. But if the staff goes, it’s just a bunch of bookshelves and carpets.”

Morgan Smith’s attempt to bring financial discipline to the Concord Bookshop seemed quite sensible in the face of new competitive realities. Owners, employees, customers, and suppliers all agreed on the desirability of maintaining the store’s viability. Yet Smith’s approach to change implementation—the actions taken by organizational leaders in order to support strategic renewal and achieve outstanding performance—led to resistance, conflict, and resentment. A review of key theories concerning change implementation and change resistance can help explain the challenges and difficulties faced by Smith and other organizational change leaders.

**KURT LEWIN’S FIELD THEORY IN SOCIAL SCIENCE**

The scientific study of change implementation can be traced back to the work of psychologist Kurt Lewin. In the aftermath of World War II, Lewin published two path-breaking essays, “Behavior and Development as a Function of the Total Situation” (1946) and “Frontiers in Group Dynamics” (1947), that to this day shape our understanding of how to alter patterns of behavior.¹

Lewin proposed two key concepts that form the basis of behavioral change:

1. Because an individual’s behavior is a function both of that person’s psychology and his environmental context, the most effective way to create lasting behavioral change is to change that environmental context, and,

2. Before behavioral change can occur, let alone become institutionalized, forces must be exerted to create disequilibrium in the status quo.

To fully appreciate Lewin’s contribution, it is worth spending some time looking at each of these ideas.
CHAPTER 2  Theories of Effective Change Implementation

Changing Behaviors by Changing Context

We noted in Chapter 1 the degree to which companies such as Nordstrom call on organizational context to help shape employee behavior. Lewin's approach to behavior explained the influence of context with a simple formula: \( B = f(P, E) \). Behavior (B) is a function of the person herself (P) and the environmental context (E) in which that person operates. "In this equation," wrote Lewin, "the person (P) and his environment (E) have to be viewed as variables which are mutually dependent upon each other. In other words, to understand or to predict behavior, the person and his environment have to be considered as one constellation of interdependent factors." The person and his context, in that view, are interdependent variables shaping behavior.

The question Lewin addressed was: How can that context be changed? What does not work to bring about behavioral change, Lewin insisted, is a lecture: telling employees that the context has changed and they need to alter their behaviors in accordance with that new situation. A leader tells employees that they need to be more responsive to customers, coordinate better with international operations, bring new products to market more quickly, work more effectively across functions, and so forth. That leader may be an extraordinarily effective communicator. Nonetheless, the likelihood that telling people about the need for behavioral change will lead to real and sustained change is quite small.

When leaders rely on "lectures" to drive change, they fail to take into account the power of context in reinforcing the status quo. In Lewin's view, getting group members to change their behaviors, and having those new behaviors become lasting rather than fleeting, involves breaking a "social habit." To make matters more challenging, group members tend to assign positive value to those existing social habits. The group norms that support those behavioral habits—that is, the shared expectations of how group members ought to behave—come to be viewed by group members as good things: standards to be cherished and upheld.

Whatever an individual may glean from a speech, no matter how well delivered that speech may be, he is not likely to alter his behaviors. The positive value associated with the existing social arrangements continues to exert a powerful force on the individual, "keeping the individual in line with the standards of the group." The old habits have not been broken; the positive value associated with past behaviors still exerts powerful pressure; so individual behavior returns to the norm. The next important question, therefore, is how to exert a force that will alter not just the individual but also the social context of that individual.

Creating Disequilibrium

Leaders seeking to implement organizational change are often surprised by the degree of complacency they face. In 1999, when Carlos Ghosn took over leadership at Nissan Motors, for example, the company was $19.9 billion in debt with annual losses exceeding $250 million. Despite the obviously unacceptable level of performance, Ghosn encountered resigned acceptance among Nissan executives. "For a company that has been losing money for seven years out of eight," he observed, "there is not enough of a sense of urgency. People should be banging their heads on the walls everywhere."

Lewin had an explanation for such attachment to the status quo. "The greater the social value of a group standard," he wrote, "the greater is the resistance of the individual
CHAPTER 2  Theories of Effective Change Implementation

The announcement of new goals—superior service to high-end customers at Grand Union, enhanced financial discipline at the Concord Bookshop, improved performance at Nissan, and the like—however sensible and rational those goals might be, would not alter patterns of behavior. What is needed, Lewin argued, is a kind of deliberate “emotional stir-up,” a powerful intervention designed to “open the shell of complacency” and “unfreeze” the existent equilibrium.

To be effective, a change leader’s initial task is to create what Lewin called unfreezing. “All forms of learning and change start with some form of dissatisfaction or frustration,” explains Schein, “generated by data that disconfirm our expectations or hopes.” The emotional stir-up that Lewin pointed to will not occur simply by hearing “disconfirming information,” however: “We can ignore the information, dismiss it as irrelevant, blame the undesired outcome on others or fate, or, as is most common, simply deny its validity.” The resisting managers at the Concord Bookshop, remember, denied the validity of the president’s claim that financial performance had “never been worse.” To truly unfreeze behavior, Schein adds, “We must accept the [disconfirming] information and connect it to something we care about.”

Because bookshop employees did not accept the validity of the owners’ dire financial analysis, they resisted calls for change.

The second stage of Lewin’s model involves moving, whereby members of the group move from one set of behaviors to another. Those new behaviors, in Lewin’s view, must become permanent, for at least a desired period of time. That is the refreezing stage where a newly created equilibrium “is made relatively secure against change.”

Refreezing is the stage, writes Beer, “Where social system components become congruent with, and thus support, intended change in one or more components.”

Lewin’s Contribution

Lewin is best known for his three stages of change implementation: unfreezing, moving, and refreezing (summarized in Exhibit 2-1). Equally important is Lewin’s

EXHIBIT 2-1  Implementation Implications of Lewin’s Change Model

<table>
<thead>
<tr>
<th>Stage 1: Unfreezing</th>
<th>Stage 2: Moving</th>
<th>Stage 3: Refreezing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create dissatisfaction with the status quo</td>
<td>Redesign organizational roles, responsibilities, &amp; relationships</td>
<td>Align pay/reward systems</td>
</tr>
<tr>
<td>Benchmark operations against other companies</td>
<td>Train for newly required skills</td>
<td>Re-engineer measurement/control systems</td>
</tr>
<tr>
<td>Diagnose internal barriers to improved performance</td>
<td>Promote supporters/ remove resisters</td>
<td>Create new organization structure</td>
</tr>
</tbody>
</table>
recognition that the most effective way to manage behavioral change among individual members of a group is to work first on changing the group’s norms, then focus on individual behaviors. If “one succeeds in changing group standards, this same force field will tend to facilitate changing the individual and will tend to stabilize the individual conduct on the new group level.”

Lewin urged a kind of implementation sequence. To create sustainable behavioral change, organizational leaders need to work both on the individual and the contextual level. There is far greater leverage to be gained, however from first working at the contextual level. The positive social values created by the new equilibrium will motivate individuals to adapt to the new norms. If, instead, leaders first focus on the individual level, they risk undermining their best intentions. No matter how much impact they have on changing the expectations and behaviors of individuals, those new expectations and behaviors will not endure as long as the old equilibrium continues to exert a powerful and attractive force.

ORGANIZATION DEVELOPMENT AND CHANGE IMPLEMENTATION

Lewin’s work represents an early foray by behavioral scientists in the world of organizational behavior and change management. The field of organizational development (OD) soon coalesced around emergent learnings from the behavioral and social sciences (mainly, psychology, sociology, and systems dynamics) to inform approaches to planned organizational change. While different theorists and practitioners have offered their own insights into these matters, 10 key perspectives and assumptions underlie the field.

Those perspectives are summarized in Exhibit 2-2.

OD offers a complex and systemic perspective on how and why people behave and organizations operate. For that reason, OD provides particular insight into the process of changing people’s behavior and organizations’ operations. Four insights in particular help advance an understanding of effective change implementation.

Organizations Are Open Systems

OD sees the organization as an open system: a kind of organism that exists in constant interaction with its external environment and between its own internal elements. Effectiveness in an open system arises not just out of the actions of employees but also out of interactions that occur at multiple levels:

• Between the personalities and activities of various employees
• Between employees and the requirements of their tasks
• Between the tasks and the culture of the organization
• Between the culture and the intended culture of the organization
• Between the strategy of the organization and its external environment

Organizational effectiveness is best achieved when a state of fit or congruence exists between various elements of the open system (see Exhibit 2-3).

Open systems thinking suggests that effectiveness resides less in actions than in interactions: between people inside the organization and forces external to the organization, between employees in different functions and units of the organization, and between the multiple hierarchical levels that make up the organization. No individual policy, practice, or action can be understood alone.
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### EXHIBIT 2-2  10 Defining Perspectives from Organization Development

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Underlying Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Systems perspective</td>
<td>Outstanding performance depends on interactions between and among the multiple elements of organization; between the people, processes, structure, and values of the organization; and between the organization and its external environment</td>
</tr>
<tr>
<td>2. Alignment perspective</td>
<td>The effectiveness of organizations will be determined by a state of congruence between people, process, structure, values, and environment</td>
</tr>
<tr>
<td>3. Participation perspective</td>
<td>People will become more committed to implementing solutions if they have been involved in the problem-solving process</td>
</tr>
<tr>
<td>4. Social capital perspective</td>
<td>To achieve outstanding performance, organizational leaders seek to create a network of interdependent relationships that provides the basis for trust, cooperation, and collective action.</td>
</tr>
<tr>
<td>5. Teamwork perspective</td>
<td>Accepting shared purpose and responsibility for interdependent tasks enhances coordination, commitment, and creativity and supports outstanding performance</td>
</tr>
<tr>
<td>6. Multiple stakeholder perspective</td>
<td>Outstanding performance requires that organizational leaders balance the expectations of multiple stakeholders: shareholders, employees, customers, suppliers, host community, labor unions, trade associations, governments, etc.</td>
</tr>
<tr>
<td>7. Problem-solving perspective</td>
<td>Conflicts over task issues can increase the quality of decisions if they occur in an environment of collaboration and trust</td>
</tr>
<tr>
<td>8. Open communications perspective</td>
<td>Open and candid communication, especially upward in the hierarchy, creates the opportunity for learning and development while building trust and collaboration</td>
</tr>
<tr>
<td>9. Evolution/revolution perspective</td>
<td>Organizations must develop competencies to engage in both incremental (evolutionary) and fundamental (revolutionary) change</td>
</tr>
<tr>
<td>10. Process facilitation perspective</td>
<td>Individuals who reside outside of the organizational hierarchy can become both facilitators and teachers of effective implementation processes in partnership with organizational members</td>
</tr>
</tbody>
</table>

A view of organizations as open systems emphasizes alignment between the internal dynamics of an organization (how employees act and interact) with the external marketplace in which the organization lives and competes. **Alignment** is a state of congruence between organizational subelements and their environment. Because the external environment changes, elements of the system must respond.
To remain financially viable, the Concord Bookshop needed to react to challenges imposed by new competitors (Barnes & Noble and Borders), evolving technologies (the Internet), and expectations of the store’s owners. Desired new behaviors, however, need to remain congruent with a company’s values, strategy, and business model. The eruption at the bookshop occurred in part because of a perception among both employees and customers that the response of the store’s ownership violated rather than reinforced those values and the store’s strategy and business model.

Organizations Serve Multiple Stakeholders

A lively debate has persisted for decades over the degree to which effective organizations need to respond to multiple stakeholders or to a single stakeholder; mainly, investors who own shares in the company (see “Join the Debate” feature). Stakeholders are individuals or groups who lay legitimate claim to the performance of the organization. OD assumes a multiple stakeholder perspective. Those who own shares in a
company possess a legitimate interest in its performance, to be sure. But the needs of multiple additional stakeholders—employees, customers, suppliers, host communities, and governments—should be considered legitimate as well. We saw in the case of the Concord Bookshop the degree to which the community, customers, and even professional bookseller associations felt a stake in the organization’s performance.

The multiple stakeholder perspective represents, in part, an ethical view of the role of business organizations in a community’s life. It also represents a view of effectiveness. A key source of outstanding performance lies in the willingness of organizational leaders to commit time, energy, and resources to tending to the interests of multiple stakeholders; most especially to shareholders, to customers, and to employees.

**Join the Debate—Should Management Work to Meet the Needs of Multiple Stakeholders?**

“**Yes**”—Organizational leaders must pay careful attention to the interests of multiple stakeholders: shareholders, to be sure, but also employees, customers, suppliers, and the host community. Only if the needs of these multiple constituencies are addressed will an organization be able to sustain its competitive position over a long period. Kotter and Heskett noted, “Only when managers care about the legitimate interests of stockholders do they strive to perform well economically over time, and in a competitive industry that is only possible when they take care of their customers, and in a competitive labor market, that is only possible when they take care of those who serve customers—employees.”

“**No**”—The primary purpose of organizations is to serve the interests of shareholders by turning a profit. Those individuals and institutions have risked capital and expect executives to act in ways that maximize their return on investment. If organizational leaders compromise their focus on shareholder value, investments will simply flow elsewhere, depriving the organization of its ability to compete effectively. Writing over four decades ago, Levitt decried the weakening of the profit motive on behalf of broader views of an organization’s responsibilities. “The business of business,” he wrote, “is profits.” Therefore, the virtue of business organizations “lies in the vigorous, undiluted assertion of the corporation’s profit-making function.”

More recently, a business executive observed: “Show me an annual report that lists six or seven contingencies, and I’ll show you a mismanaged company.”

**What do you think?**

**Dealing with Conflict with Problem Solving, Openness, and Trust**

OD assumes that problem solving is preferable to personal conflict around task issues. Conflict about how best to perform tasks can have a positive value on the organization. Conflict can, for example, improve innovativeness by highlighting a diversity of viewpoints. Additionally, conflict can encourage individuals to articulate their personal points of view and assumptions while considering the viewpoints and assumptions of others. The potential benefits, therefore, involve both an enhanced grounding in reality and an increased opportunity for creativity.
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Not all approaches to conflict produce equally desirable outcomes. Avoiding, accommodating, or even compromising when faced with conflicts around how best to perform the tasks of the organization will suboptimize the ability of organizational members to work together while achieving realistic and creative solutions. Collaboration, in which conflicting parties combine advocacy for a particular position while inquiring into the legitimate and conflicting views of others, leads to both superior solutions as well as commitment on the part of participants to implement that solution.\(^{14}\)

**Process Consultation**

OD asserts that expert consultants play a vital *process facilitation* role in any change effort. Process facilitators are individuals, specially trained in the techniques of OD interventions, who stand outside of the organizational hierarchy (usually because they are hired from outside the company). They bring with them knowledge of how to build trust and conduct open, candid dialogues about task performance, becoming both monitors and teachers of communication and conflict management skills. They can also introduce frameworks for organizational diagnosis to guide the change intervention. In that role, process facilitators partner with employees to establish the dimensions of the change intervention, to collect data that will drive the diagnosis and shape the direction of change, and to help employees gain the competency to implement change effectively.\(^{15}\) We will address the role of process consultants more fully in Chapter 3.

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**ORGANIZATIONAL DEVELOPMENT’S CONTRIBUTION TO CHANGE IMPLEMENTATION**

The insights offered by organizational development can help leaders implement behavioral change in a manner that is both effective and sustainable. The major perspectives and assumptions of the field suggest that interventions that target just one aspect of an organization—say, its structures or its pay systems or its work processes—will likely fail to deliver the hoped-for performance improvements. Because organizations are highly interactive systems, the keys to outstanding performance reside not in any one independent component of the organization but rather at the interface between many interdependent factors. Piecemeal approaches to change will likely fail, especially over the long run, because they target discrete units or issues rather than focusing on the “joints” of the organization, the places where organizational processes and activities come together.\(^{16}\)

Additionally, OD points to the importance of an implementation process that builds a sense of ownership: trust, open communication, collaborative problem solving, and participation in the change process. Questions of both what needs to be changed and how the change should be implemented can be exclusive or inclusive. In an exclusive mode, top executives exclude all stakeholders except a small group of fellow senior executives, deciding what behaviors need to be targeted and how the change process should proceed. In an inclusive process, representatives of multiple stakeholders are all included in the diagnostic, action planning, and implementation effort. Employee motivation to adopt and sustain required new behaviors will be enhanced, making implementation more likely to be successful in the short run and sustainable in the long run.
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TASK ALIGNMENT AS A DRIVER OF BEHAVIORAL CHANGE

Task alignment offers an approach to change intended to sharpen the connection between OD-based interventions and improved performance. A study of effective change implementation conducted by Beer, Eisenstat, and Spector noted a common thread: “In virtually all cases of successful revitalization, management focused on the business’s central competitive challenges as the means for motivating change and developing new behaviors and skills.” Task alignment takes as a starting point for change the work that needs to be undertaken in order for a unit to achieve outstanding performance.

In a dynamic environment, strategic renewal typically requires new behaviors in order to perform those tasks. Task alignment embeds the insights of organizational development in a drive to produce outstanding performance. Employees redefine their roles, responsibilities, and relationships in order to perform those tasks.

Task-Aligned Change

To understand task alignment as a performance-focused approach to change, let’s visit General Product’s Technical Center [a disguised name]. White-collar, professional-level employees found themselves simultaneously engaged in two very different change efforts. The first effort, led by upper management at the center and encouraged by corporate executives, focused on an “employee involvement” initiative. Intrigued by reports of improved performance due to increased employee involvement in manufacturing operations, management formed committees to address issues of urgent concern to employees. Because employees often mentioned their interest in career development, one committee discussed how to get employees more involved in their own career planning. Top management at the center began holding regular meetings to discuss the meaning of employee involvement: Just how far should employee involvement go and over what issues should employees be involved? The head of the center, feeling that he could not be overly directive about an initiative heralding employee involvement, watched in frustration as two years of effort yielded few tangible results.

Farther down the organizational hierarchy, a different sort of change effort unfolded. Struggling with the requirement to speed up the new product development process, an implementation task force uncovered poor cross-functional coordination reinforced by strict functional lines and a lack of teamwork throughout the organization as the culprit. Several cross-functional product development teams were created as a result. “As teams began to produce results,” write Beer, Eisenstat, and Spector, “relationships among functions improved, engineers and production specialists began to feel empowered, and demands for team skills were met with a training program.”

Although the efforts of the employee involvement team spurred by upper management’s desire to meet “urgent” employee concerns withered, employees’ involvement increased on cross-functional teams designed to develop new products.

Task Alignment’s Contribution to Change Implementation

The dramatic differences in the impact of these two interventions highlight a flaw of many change interventions. Look at the first approach. Hearing “good things” about employee involvement and desirous of gaining the benefits that had apparently accrued to other companies, corporate management urged employee involvement initiatives. One employee involvement task force recommended placing artwork in the center’s
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atrium as a way of enhancing the ambience of the facility. But what did employee involvement mean to managers and workers? And more importantly, how did it impact on the ability of the center to achieve and sustain outstanding performance?

The second approach started with a different premise: not how can we bring the idea of employee involvement into the organization? but can we involve employees in finding the way to improve new product development performance? By following a task alignment approach to change implementation, employees at all levels of the organization are motivated to engage in behavioral change to the extent that they appreciate how that change is related to the performance of the core tasks of the organization.

Line managers have far greater ability to diagnose business and performance problems than to engage in psychological or therapeutic analysis of individuals. By focusing on solving real business problems, task alignment takes advantage of the knowledge and expertise in the organization. Tangible performance results that accrue from task-aligned change interventions reinforce the efficacy of such efforts, which, in turn, create momentum for renewed change intervention. Results, write Schaffer and Thomson, build conviction. Task alignment builds commitment by focusing on real and immediate performance problems and producing tangible results.

RESISTANCE TO CHANGE

To this point, we have examined theories that help guide successful change implementation in organizations. It is also useful to understand theories dealing with a countervailing force that exerts itself in virtually all change efforts: resistance. Resistance refers to action, overt or covert, exerted on behalf of maintaining the status quo.

Not all employees embrace change with equal enthusiasm. Coetsee has suggested a full continuum of responses to change initiatives ranging from “commitment” at one end to “aggressive resistance” on the other (see Exhibit 2-4). Each of these reactions to change helps shape the behavior of individuals and, ultimately, the success of a change effort.

WHY EMPLOYEES RESIST CHANGE

Most of the attention on resistance has focused on why people resist change; which is to say, why individuals fail to “get on board” and instead adopt a posture somewhere on the continuum from apathy to aggressive resistance. Hullman has suggested a number of underlying causes of some form of individual resistance:

- Individuals may be satisfied with the status quo. Because their needs are being met, they may view any potential change as negative.
- Individuals may view change as a threat, fearing it will adversely affect them in some significant way.
- Individuals may understand that change brings both benefits and costs but feel that the costs far outweigh the benefits.
- Individuals may view change as potentially positive but may still resist because they believe that the organization’s management is mishandling the change process.
- Individuals may believe in the change effort but still believe that the change is not likely to succeed.
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EXHIBIT 2-4  Continuum of Individual Response to Change

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Involves a strong emotional attachment to the goals of the organization and the aims of the change effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involvement</td>
<td>Involves a willingness to participate in the behaviors being called for by the change effort</td>
</tr>
<tr>
<td>Support</td>
<td>Involves speaking on behalf of the change effort without taking any other explicit actions to promote the effort</td>
</tr>
<tr>
<td>Apathy</td>
<td>Represents a neutral zone in which individuals know about the change effort and engage in no behavior either to support or oppose it</td>
</tr>
<tr>
<td>Passive resistance</td>
<td>A mild form of opposition that involves a willingness to voice reservation or even threatening to resign if the change goes through</td>
</tr>
<tr>
<td>Active resistance</td>
<td>Involves behaviors that block or impede change, usually by behaving in ways that contradict the goals of the change effort</td>
</tr>
<tr>
<td>Aggressive resistance</td>
<td>Involves purposeful sabotage and subversion of the change effort</td>
</tr>
</tbody>
</table>

Managers often see change resistance in negative terms: It is a “bad thing” that represents an irrational response to a dynamic competitive environment. In this way, expressed or enacted resistance on the part of employees can be dismissed as invalid or disobedient. Resistance, in this view, is a force to be overcome.

HOW MANAGERS CREATE RESISTANCE DURING IMPLEMENTATION

A negative approach to employee resistance overlooks two important points. First, employee resistance is often a result of management actions. Managers can and often do create resistance by the manner in which they pursue change. By looking at the aforementioned reasons for employee resistance, we can see how many can be understood in part as a natural and expected outcome of implementation.

When employees are satisfied with the status quo, for example, the barrier may be that they have not been allowed to engage in an adequate and full diagnostic process to share learning about why the status quo is undesirable and what about the status quo needs to be changed. Employees who do not fully appreciate the potential benefits of the proposed change may either have little idea of where management proposes to take the organization or believe that management simply does not possess either the competence or commitment necessary to achieve the stated goals. Exhibit 2-5 suggests the ways in which employee resistance may be an outgrowth of the implementation of the change effort rather than any natural reluctance to engage in personal change.

In treating resistance as a negative force to be overcome, managers shut down the possibility that they can learn from resistance. When employee voice has
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EXHIBIT 2-5  Creating Resistance During Implementation

<table>
<thead>
<tr>
<th>Individual Resistance</th>
<th>May Be Caused by Managerial Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees satisfied with status quo</td>
<td>Management has not included employees in diagnosis and learning process</td>
</tr>
<tr>
<td>View change as threat</td>
<td>Employees see little opportunity to acquire new skills that will be required in the renewed organization</td>
</tr>
<tr>
<td>See cost of change outweighing benefits</td>
<td>Management has failed to articulate goals of change adequately to allow true assessment of costs and benefits</td>
</tr>
<tr>
<td>Believe management is mishandling process</td>
<td>Employees believe that their own voice and interests are not being included in the change process</td>
</tr>
<tr>
<td>Believe change effort not likely to succeed</td>
<td>Past change efforts led by management have made little lasting impact and are abandoned for the next change program</td>
</tr>
</tbody>
</table>

been excluded from the change process, there is likely to be valuable data missing from the diagnostic and action planning phases of the effort. Employees may ask whether management really understands what customers expect from their products or services or what barriers the organization has erected to outstanding performance. Even when employees question whether management has selected an appropriate strategic response, it would be useful, perhaps even indispensable, for managers to learn about their hesitations and concerns. Instead of treating resistance as a force to be overcome, managers would do well to treat it as an opportunity to learn from employees and improve the change process.

Not all resistance to change offers an equal opportunity to learn, and some sources of resistance will have to be addressed and overcome. In later chapters we will explore specific techniques and approaches management can consider to avoid creating resistance. For now, let us understand employee resistance as a form of expression that is not always a bad thing and that needs to be considered and understood by change leaders.

CONCLUSION

Each body of theory examined in this chapter offers critical insight into the effective implementation of change. Those theories and their implementation implications are summarized in Exhibit 2-6. The next question to be addressed in an analysis of effective change implementation is how to initiate an intervention that meets the requirements for effectiveness. For that understanding, we can turn to an analysis of organizational diagnosis.
### Chapter 2  Theories of Effective Change Implementation

#### EXHIBIT 2-6  Key Theoretical Approaches to Change Management Implementation

<table>
<thead>
<tr>
<th>Theoretical Approach</th>
<th>Main Theoretical Contribution</th>
<th>Help Explain How to Implement Change</th>
</tr>
</thead>
</table>
| Lewin’s Field Theory in Social Science | Begin behavioral change by focusing on context and unfreezing existing social habits | • Build a pervasive sense of dissatisfaction with the status quo on the part of employees  
• Offer operational models for what new behavioral patterns will be  
• Reinforce new behavior with alterations to systems and structures |
| Organizational development | Organizations are dynamic, open systems | • Target entire organizational system for change  
• Create a climate of open discussion and upward feedback concerning the efficacy of change implementation  
• Call on process consultants to facilitate interventions |
| Task alignment | Link desired new behaviors to requirements of performing key tasks of the organization | • Analyze and identify key performance indicators and behavioral implications required for outstanding performance  
• Attach requirements for new behavior to new strategic objectives of organization  
• Build line-management support for change effort |
| Change resistance | Employee resistance often derives from the actions of change leaders | • Include employees in diagnostic and learning process  
• Learn from the reasons behind employee resistance  
• Deal in a timely manner with lingering resistance by individual employees |

#### Chapter Vocabulary

**Change implementation** actions taken by organizational leaders to achieve and maintain outstanding performance in a dynamic environment.

**Norms** shared expectations of how group members ought to behave.

**Organizational development (OD)** an approach to organizational effectiveness that calls on the fields of behavioral and social sciences to provide guidance to planned change efforts.

**Open system** an organism or entity that exists in a constant interactive state with its external environment.

**Alignment** the degree of congruence or compatibility between and among various elements of a system.
CHAPTER 2  Theories of Effective Change Implementation

Stakeholders  individuals or groups who lay legitimate claim to the performance of the organization.

Process facilitation  an intervention into the dynamic interactions of a group aimed at improving group effectiveness and imparting required skills and competencies to group members.

Task alignment  an approach to behavioral change that starts with the identification of the key strategic tasks of an organization or unit and then asks employees to redefine their roles, responsibilities, and relationships in order to perform those tasks.

Resistance  efforts exerted by employees either overtly or covertly to maintain the status quo.

Discussion Questions

1. How might Concord Bookshop president Morgan Smith have handled his attempt to introduce financial discipline more effectively?
2. According to Kurt Lewin, why is it so difficult to motivate employees to alter their patterns of behavior?
3. Discuss the various ways in which change theorists have attempted to introduce performance and results into the implementation process.
4. What were the sources of resistance to change at the Concord Bookshop? What might Smith and the board have learned from that resistance?
5. At what point in a change process should a change leader decide to “overcome” resistance rather than “learn” from resisters?

Case Discussion

Read “Leading Change at First St. Louis Bank (A)” and prepare the following questions:

1. What is your evaluation of the first two years of Lester’s leadership at First St. Louis Bank? Based on theories presented in the chapter, do you believe the change interventions he has made so far set the stage for future success?
2. What are the trigger events that have set off the requirement for change? To what extent will the bank’s response require a change in behaviors on the part of bank employees?
3. What steps would you suggest Lester take now? Be as specific as possible, paying particular attention to how he might deal with the phenomenon of resistance.

Leading Change at First St. Louis Bank (A)

When Henry Lester became president of First St. Louis Bank (FSL) [disguised name], he realized that the deregulated, highly competitive world of commercial banking would require careful analysis and understanding of, and responsiveness to, the marketplace and, at the same time, cost-effectiveness. It was an adaptation for which FSL seemed particularly ill-suited. Many observers both in and out of the bank considered the institution to be stodgy and unresponsive. Its highly paternalistic approach to employees—personnel were implicitly guaranteed a job for life—made tough cost-cutting measures especially difficult.

Lester immediately announced his intention to attack directly the bank’s “cautious and conservative style” and told employees that the role of any manager is to be an agent of change and the role of the president is to be the agent of change. “My job,” he told them, “is to bear the pain of transition from one environment to another.” Added another bank executive, “What we’re trying to do around here is to take conservative, comfortably situated nonrisk managers and turn them into risk takers. We’re trying, quite literally, to turn this place upside down.”
THE CHANGING FACE OF BANKING

FSL had thrived in the era of regulation. An external consultant reflected on FSL's past success by noting:

In an era of regulated deposits, FSL’s strategy was straightforward and could be summed up in a single phrase: “Get as many branches out there as possible.” Accordingly, the career ladder was rather predictable: start as a teller, move to headquarters as an assistant vice president, manage a retail branch, return to headquarters for a lending stint, and you would likely become a full-fledged lending officer with all the status and privilege accorded a vice president of the bank. While the organization was sometimes described as plodding and sluggish, there could be no mistaking its past success. Even though FSL’s compensation per employee was 35 percent below its main rivals, employees were imbued with a strong sense of loyalty and a tradition of service to the institution. It was a good place to work.

As they entered the era of competitive financial services, however, the bank struggled to find its footing. According to one press report:

Compelled to match the competition, FSL began issuing its own high interest CDs and other savings instruments, only to find itself in another bind. Because it was late in switching from fixed rate mortgage loans to higher, variable rates, it was paying out more in interest on its rising volume of high yielding CDs than it was taking in from the bulk of its mortgage portfolio.

Another key ingredient in its poor performance was a multitude of bad loans:

After a decade of rapid and deceptively easy growth in seemingly rock solid loans, FSL made some moves... that came back to haunt it. The bank became a more aggressive lender... The push to make loans led FSL into unfamiliar territory—midsized corporations both in and out of state. More heavy losses came from real estate and overseas loans.

Said one FSL executive, the push to make loans came directly from the top of the organization. The key performance measure for bank officers involved placing loans on the books to build up bank assets. According to a press assessment:

In contrast to banks where loan officers were industry specialists, FSL has traditionally loaned to a wide range of industries from its branch offices. Loan officers serving large corporate customers in North America didn’t have a consistent training program until recently. And since 6 or 7 officers were required to sign off on loans, responsibility was dispersed and analysis was sloppy.

Soon FSL’s mistakes began showing dramatically in the bank’s performance. Earnings fell (for the first time in 20 years) by 30 percent. Share of the state’s savings market slipped from 40 percent to 35 percent. Profits fell by over 40 percent in a 5-year period.

Enter Henry Lester

When the board selected Henry Lester to take the reins of FSL, he was 38 years old. Lester had been with FSL for 15 years with both foreign and domestic line experience. In his first 18 months, Lester pushed FSL in multiple new directions, including:

• Moving into new businesses and new out-of-state markets via acquisition
• Restructuring FSL’s massive branch system by closing down marginal full-service operations and replacing them with a smaller number of “minibranches,” often in nontraditional settings such as grocery stores and malls
• Restructuring lending activities by hiring loan specialists and rewarding for quality rather than the amount of loans made
• Removing fixed rates on all consumer loans
• Moving into new services such as cash management and money market accounts
• Reducing operating costs mainly by eliminating about 3 percent of FSL’s jobs through attrition and implementing an early retirement program.

Changing the Culture. Lester brought with him a clearly recognized new management style that seemed simultaneously less formal and more demanding than that of his predecessor. Said one observer:

Lester’s predecessor was regarded as an intimidating, autocratic ruler who ruled with an iron fist, never doffed his suit coat, and placed strong emphasis on short-term profits. Lester is informal and accessible, often works in his shirt-sleeves,
and is bent on keeping FSL’s eye on longer-range issues.

Noted a bank executive:

On his first day in office, Henry stunned his six senior managers by sending them job descriptions and objectives not unlike those distributed to tellers. He also quickly abandoned our traditional practice of promoting almost exclusively from the inside. We suffered from intellectual incest. We bred our own people and were resistant to change. Henry brought in outsiders to head up data processing, real estate, trust administration, and human resources.

As a kickoff for the change process, Lester held an off-site retreat for his top 15 executives. One of the participants described the retreat:

Henry asked us to come together to discuss FSL: its origins, its meaning, its current purpose, its future role. We were told ahead of time to mail in a short statement—30 words or less—on “What is FSL?” At the retreat, we discussed all those replies, then took a vote on which seemed most relevant. Then Henry said, “Now we start the process of getting the bank ready for the future.” He then told us to go back to our offices and come up with four words that summed up what this bank was all about.

Convinced that strategic renewal would require major changes in the bank’s human resources, Lester went outside FSL to hire Ben Tutt from a company well known for its excellent and innovative management of human resources. Several members of the management committee saw Tutt’s hiring as vice president of human resources as an explicit attempt to import a human resource management model.

In his initial meeting with FSL’s management committee, Tutt emphasized pay-for-performance programs and heavy reliance on executive training, reflecting his experience. He urged bank management to consider a pay-for-performance program that involved tightening the performance appraisal system and eliminating virtually guaranteed performance bonuses for executives. “It is time to say, ‘What have you done for me lately,’” Tutt explained. In addition, he suggested an aggressive reexamination of FSL’s implicit lifetime employment policy.

With the enthusiastic backing of the president, Tutt and an outside consultant began a formal study of FSL’s corporate culture. The first phase of the study involved both an attitude survey of current employees to help identify the “daily beliefs” of the bank, as well as a detailed study of FSL’s archival history to help identify what the traditional culture of the bank had been. The result was a contrasting profile of the traditional values that had led to the bank’s past successes—the customer was “in the center of the universe,” innovation and risk taking were rewarded, FSL was “the bank of the people” that emphasized friendliness, openness, and informality—with the current beliefs of employees. Among the beliefs now shaping behaviors were:

1. Don’t risk failure.
2. Make it pay in the short term.
3. Turf is important.
4. Be nice/avoid disagreement.
5. Don’t worry about performance—equal pay for those who stay.
6. Believe it when you see it.

Tutt presented the findings to Lester and his nine-member management committee. He remembers delivering this message:

The results of our assessment were revealing. Some very fundamental issues had been blurred during a period of regulation and compliance, and the principles by which we want to manage our businesses are not well understood.

That culture, Lester and Tutt agreed, must change.

THE CONTINUING CRISIS

The first two years of Lester’s tenure had proved quite eventful. Lester could point with pride to some gains, including the dramatic reigning in of growing personnel costs and a 40 percent increase in income generated by the retail banking division. Nonetheless, overall FSL continued to perform near the bottom of performance ratings for similarly sized banks in the nation. Lester urged patience, saying, “My basic message to directors, to employees, and to shareholders is the same. Don’t let it grind you down. I’m going to trade in my plastic helmet for a metal one.”

Despite his determined tone, Lester fully realized that more would need to be done to turn around FSL’s performance.
Endnotes

1. These essays and others are collected in Kurt Lewin, Field Theory in Social Science: Selected Theoretical Papers (New York: Harper and Row, 1951).
2. Ibid., pp. 239–240.
3. Ibid., p. 226.