Barbara Heitger/Alexander Doujak

Managing CUTS and New GROWTH

an innovative approach to change management

GOLDEGG VERLAG

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"Managing Cuts and New Growth - an innovative approach to change management by Barbara Heitger and Alexander Doujak is a breathtaking contribution to the management literature by virtue of its scope, depth, practical wisdom, and originality. Here is a book of timely significance. Here is a book that addresses how organizations can truly move from the traps of contradictory objectives that limit growth, to restructuring the fundamental elements in which complexity and internal conflicts are able to be transformed and aligned. Barbara Heitger and Alexander Doujak are masters of change management, and Managing Cuts and New Growth is a must read for anyone who is involved in the field."

Robert Fritz: Bestseller author of "The Path of Least Resistance for Managers" and co-author of "The Managerial Moment of Truth"

THE PHASES OF CHANGE "THINGS NEVER TURN OUT AS EXPECTED"

> *In this chapter, we will present a phase model developed from the comparison of numerous "life cycles" of change projects we have worked on. The model also incorporates the experiences we have gathered as business partners and managers of the change processes within our own consulting firm.*

Our description of the typical "route" taken by a transformation is meant to:

1. provide orientation and suggestions for possible interventions to managers or consultants,
2. provide a checklist – much like aircraft manuals for pilots, who rely on their experience and intuition, but also consult the handbook to make sure they haven't missed anything.

The model is not meant as a list to be worked through from top to bottom. As systemic practitioners, we know that these phases cannot be treated as sequential, linear slots, but that each individual phase shows traces of the others. For example, the persons concerning themselves with "creating an image for the future" will always have an eye to implementation. And when, at a late stage in the change process, it is a mater of consolidating successes, those initial images for the future can re-emerge and be cause for a full-blown controversy. The phases follow an iterative, fractal course, and each individual phase reproduces the others at some level. However, their emphases are by no means interchangeable.

Phase models provide orientation by indicating "universal regularities" and typical dynamics. They are particularly helpful when dealing with the high lev-

el of emotional strain that prevails in many transformation processes. They reduce tension, enable comparison and help set milestones.

We have identified five phases in change processes:

1	Interrupt routine - we must change
2	Create images of the future - develop architecture, plan the route
3	Make brave decisions - jump into the deep end
4	Implement consistently - combine desire for the new with broad involvement
5	Master the high-altitude challenge - consolidate successes

Phases 1 and 2 are concerned with letting go of the past and everyday routine – in the conviction that today's success can be tomorrow's failure. An image of the future slowly crystallizes and becomes more defined and tangible in the first implementation steps in Phases 3 and 4. At this point, it becomes vital to replace the existent, no longer adequate problem-solving patterns learned in the past. Phase 4 involves broad implementation and anchorage of change in the company's control system and stabilization of the "new way of doing things". The same goes for Phase 5, but with increasing intensity. These two phases are longer than the previous ones, and it becomes crucial to repeatedly re-fuel the process by creating momentum and maintaining consistency in change management. We place great emphasis on Phases 4 and 5 because many transformation projects concluded prematurely with Phase 3 – which is much too early to ensure lasting changes.

Based on our experience, the phases are not equally long and we work with an assumed ideal-typical proportion of 10:10:20:25:35. This sequence contrasts with many change management concepts and projects, which concentrate chiefly on the change's initial phases and neglect its integration into all corporate systems.

The system's performance

The system's performance capacity curve
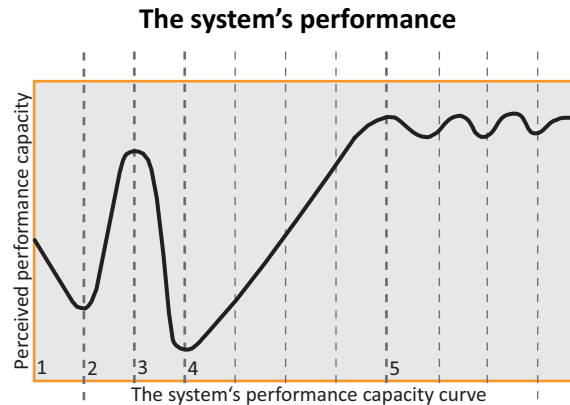
In addition to the phases, we have developed a "system curve", which represents the system's perceived ability to perform (vertical axis) as it runs through the phases (horizontal axis).

This ability to perform is made up of three dimensions:

- A past-oriented dimension, which relates to the way the organization views its own history (ancestral gallery, past successes, performance, tradition)
- A present-oriented dimension, based on indicators of present-day success (performance indexes, share price, core competencies, intellectual and innovative capital, a positive corporate culture)
- A future-oriented dimension (future capacity, success potentials, probability of future success, but also the confidence in being able to easily deal with future turbulences)

When assessing the system's perceived capability to perform, it is important to be aware of the resources and achievements of the past and present as well as their potentials for the future. Sharpening self-awareness is important; this means, above all, defining, deciding and prioritizing criteria for one's own performance potential and success[37].

Assessment is always influenced by the specific perspective and emotional situation of the evaluators (see Chapter "The logic of feelings"). It is important to note that this concerns perceptions regarding past, present and future that are subject to change over the course of time. It is (according to Erickson) "never too late to have had a happy childhood". This is also true for companies, their managers and their employees. One could also say: *"It is never too late to have managed a successful change."* – perhaps easy to say when looking back, but not when in the midst of a transformation. Based on our experience, the assessment of these dimensions varies greatly from organization to organization. For instance, there are vast differences in rationales for the necessity to change.

An example:

An energy company is seeing poor figures. Here are three different takes on what is "apparently" the same situation:

Manager A: *"This is a major crisis."*

Manager B: *"The situation looks bad, but is not seriously threatening."*

Manager C: *"This is a normal business cycle, there's no need for additional action."*

The reasons for these positions are just as diverse:

"Our capacity for the future is endangered because we can't make the crucial investments."

"The present figures aren't that accurate – they illustrate past problems that we are now solving."

"In the past, we have always managed to react quickly in emergency situations."

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[37] The discussion of multi-perspective models of success evaluation is becoming increasingly important. The concept of the Balanced Scorecard is a highly esteemed solution. Knowledge Management measures such as EFQM, Due Diligence and Cultural Due Diligence processes, benchmarking and Best Practice Comparison are also instruments of self-observation that reach beyond the (necessary) control of daily business.

Which reason was assumed for which position? Whatever the case may be, the further procedure is the decided by the position taken. The "negotiation" of such positions is an essential component of any development process.

Typical interpretation of the curve:

Phase 1: Perceptions of the organization's status are quite diverse at the beginning. The assessment of the system's performance sinks, even if the present figures paint a rosy picture. Conflicts arise, particularly regarding which direction to take. The need for action is gradually accepted.
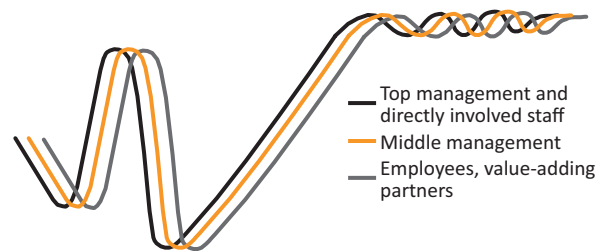
Phase 2: The change is officially made. Images of the future are elaborated, decisions are made regarding the architecture and the route of the change process. Increased trust in the company's future causes the system curve to rise. This "initial euphoria" is intensified by first successes.

Phase 3: The first pilot projects of the transformation bring the extremity of the hard cuts and new growth to light. It becomes clear that the targeted change is radical. Concepts worked out at the beginning are often turned upside down and reworked after initial practice runs. The assessment of the system's performance diminishes: past competencies are longer valid, the new situation appears foreign, awkward and artificial. "Inexplicable" misunderstandings often arise, new solutions cannot be implemented or are drawn out, and uncertainty prevails throughout the company (*"Not even the simplest of procedures works anymore."*). This low point is often experienced as highly critical. At the point of transition from Phase 3 to Phase 4 the curve often hits rock-bottom. Just as in learning a new sport, practice is necessary for mastering new techniques, and these can only be acquired by "unlearning" the way things were done before.

Phase 4: A gradual rise in performance is achieved though disciplined practice, commitment, humor and the willingness to try something new – and as a result of the new and the existing systems adapting to one another. The steep rise also helps to leave the memory of strain and disputes behind.

Phase 5: This phase could also be called "management of consolidation and stabilization". By now, the system is consistently performing at a higher level – the change has "materialized". New everyday routines have developed. The new identity has become a matter of course. Even if there are still small "ups and downs", the system settles down.

To conclude this description of our model's dimensions, we believe that each phase is indispensable. Fundamental changes must go through these phases, with all of their highs and lows, in order to take effect. In "real life", such transformations are not a linear process. Detours are often taken, and "honor laps" are run. It is vital to success that these phases are lived through in awareness of their dynamics and emotional content.

Top management and
directly involved staff
Middle management
Employees, value-adding
partners

Different target groups go through these phases at different times. The initiators of the change and senior managers go through them first; their emotional assessment of the situation is more progressive and they are more anxious to reach implementation and consolidation than middle management and employees, who get involved later on in the process.

In the following, we describe the individual phases in more detail. We start with a practical example followed by some basic considerations concerning the respective step. Managers and consultants are chiefly interested in implementation, of course. For this reason, we provided change agendas with key strategies for each stage and several ideas for interventions – a mix of tried and true measures and invitations to think out of the box. Some of these interventions–marked by the sign "➔" – are described in more detail in Chapter 8

1. Phase: interrupt the routine – we need to change!

??➔ **What's the situation? An example:**

An internationally active consulting firm is more successful than ever. Turnover and operating results have increased steadily over the last years. However, there are divergent assessments of the current situation within the firm. Some think: *"Our business model has proved sound, we should be satisfied."* Others

think: *"It's high time for a massive change. We've reached our limits and could make much more out of our brand. The competition is growing faster than we are; we no longer have the right solutions for our customers."* There are strong advocates for both poles; many employees and managers are ambivalent.

Highly varying outlooks on the organization's status and future capacity are typical for this phase. There is no common image – neither of the past, nor of the present or concrete future developments. The situation is usually seen through "department portholes", and the overall panorama tends to be fragmentary and individualized. The energy for change differs from area to area, e.g. from top management to account management (with direct customer contact). Contradictory signals (e.g. customer feedback) are coming from the outside. A discussion arises on whether the right market information is being taken into account on the stakeholder side. The collective mood is ambivalent: the everyday routine exists side-by-side with interest in the new. But there are also anxiety blockades that resist any "upheaval" in the security of everyday business.

Change agenda – what to do?

1. Interrupt the routine: "change starts with me."
Interrupting the routine means actively encouraging and "rousing" conflicts. It also means consciously provoking destabilization – pulling oneself and the company away from the comfort zone of familiar, everyday routines. A prerequisite for any effective change is that essential key players (particularly, but not only, top management) are personally willing to interrupt these routines, without being able to predict or control the exact direction the change will take. In other words: they must venture onto dangerous territory, allowing the uncertainty of the future to both unsettle and invigorate. One essential lever in this process is the knowledge that everyone involved shares responsibility for the whole, not merely for their own part in the project.

>i< Possible interventions:
- Informal and/or official preliminary discussions with internal and external stakeholders: assessment of the situation and future potentials.
- Self-reflection: "Where do I tend to whitewash personal problems and points of criticism?"

- Team building: Top management session on the topic "tension field": "Our overall responsibility ↔ my division's responsibility"
- ➔ "The change begins with me" (concept see Chapter 8)
- ➔ Start a vision process with key players (concept see Chapter 8)

2. Evaluate the need for action: "from the outside in"

A change begins and ends with the "organization's business". Change projects that are only inward-oriented, without positive effects on customer and/or supplier relations are not only "useless", but also destroy future initiatives. This is why it is important to systematically import information from the outside – in a way that facilitates emotional acceptance (e.g. with recognized experts in the respective fields, important customer representatives, lead user, …). Successful transformations are driven by intense competition and market, business and customer impulses.

>i< Possible interventions:
- Introduce or strengthen market/customer/benchmarking indexes.
- Due diligence methods (including cultural due diligence)
- Hold a strategy session with key players, with scenario work for "hard cuts".
- Qualitative diagnosis
- Hold a "Customer Parliament" or "fireside talks" with important customers (concept see Chapter 8)

3. Assess change capacity: "Let's test ourselves!"

Not only the need for change, but also the change capacity of an organization is a decisive factor in choosing the right processes and support measures (see Chapter 2: "In the Jungle of Change Concepts"). It is important to reflect on and learn from experience: e.g. *What conceptions of change ideas tend to dominate our behavior during transformations? What were the strengths and weaknesses of previous change projects? How sound is the change management competency of those actively involved? How can we assess change readiness or change fatigue?* We believe that the best way to get a good sense of one's own capacity for change is to carefully review past changes and "non-changes", conduct learning exercises with others and launch small "test balloons".

- Project reviews of change projects
- A learning journey on change projects within the own or other companies
- A pilot project to conduct a small change (as a test)
- "Past – Present – Future" (exercise see Chapter 8)
- "Learning Organization" questionnaire with joint evaluation (concept see Chapter 8)
- "Creativity Blockers" (exercise see Chapter 8)

4. Rousing communication: "open things up – take a position – set signals"

In this phase of great ambivalence it is important to "open things up", to create communicative situations that promote the expression and perception of the various trends coursing through the company. In particular, responsibility lies with senior management to consistently convey the message that things are being "shaken up" and to explain why radical change is necessary. Courage and readiness to take risks are most noticeably exhibited in minor decisions with high symbolic impact – much more so than in "grandiose verbiage". The positions of the individual key players should be made visible – in a respectful dialogue. "Stimulating communication" clarifies contents and transformation objectives and gives initial impulses on the road to change, thus providing orientation and combining cognitive with emotional messages. Whoever communicates has a personal influence on interactions. In addition to written communication and "speeches", interactive settings are necessary – in a group size that allows for "really talking with one another".
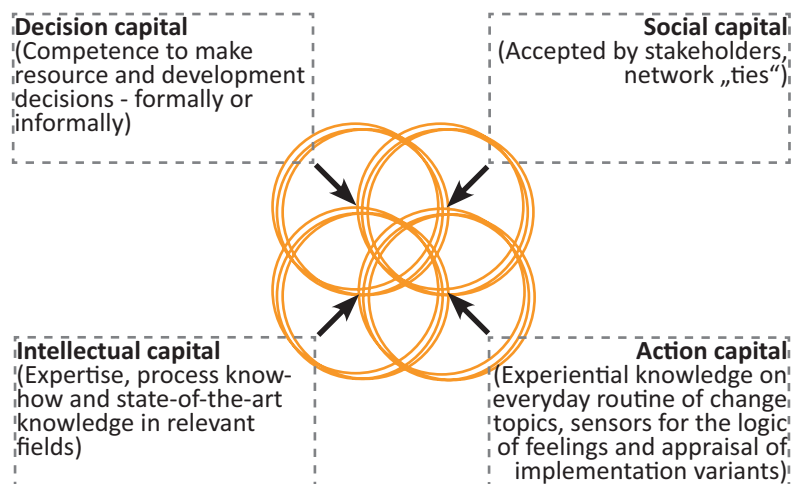
>i< Possible interventions:

- Competition Newsletter
- "The Negative News of the Day"/"The Opportunities of the Day" (Intranet webpage)
- Rewards for openness – clear feedback (concept see Chapter 8)
- Take a stand: set up presentations or installations on essential dimensions of change (concept see Chapter 8)
- Eliminate luxury (a minor intervention with far-reaching effects, e.g. changing the company car policy) (concept see Chapter 8)

5. Identify key players: "Finding the best people"

Change does not simply "happen" – it is driven by people (and later by teams). It is now vital to find the key players for the change, people who will accelerate the transformation process and be the pivotal players in the future (solution system instead of problem system). The key players must truly represent all of the organization's important trends. In order to ensure good leverage for an individual's actions, he or she must be both highly committed to the change and securely anchored in the organization. One danger lies in seeing only the "usual suspects" i.e. experienced project managers or department heads as key players – remember, this is the group responsible for the current status. These staffing decisions are fundamental for success.

The **Forms of Capital Model** (adapted from a model by Bourdieu) provides decision-making criteria for this scanning process.

Decision capital
(Competence to make resource and development decisions - formally or informally)

Social capital
(Accepted by stakeholders, network „ties")

Intellectual capital
(Expertise, process know-how and state-of-the-art knowledge in relevant fields)

Action capital
(Experiential knowledge on everyday routine of change topics, sensors for the logic of feelings and appraisal of implementation variants)

>i<   **Possible interventions:**

- One-to-one conversations
- Internal market for project management & collaboration (Intranet)
- More intense networking among management
- Analysis of forms of capital (concept see Chapter 8)
- Microcosm analysis/environment analysis (concept see Chapter 8)

2. Phase: imagine the future – develop architecture, chart the route!

?? ➜ **What's going on? An example:**

A regional branch of an international IT corporate group has developed a new model for dealing with the market. The reasons for this change are described in a "vision concept" that foresees no longer merely selling off-the-shelf products, but creating individual solutions with the customers. This will mean radically rethinking corporate processes, and a shift in personnel capacities and qualifications. The concept was prepared and presented by a small group. The response to the presentation is that it is "an ivory tower idea" and "totally unrealistic". The management forms a change team among the employees that will be responsible for implementing the change.

The second phase begins with initial concepts or ideas on possible future scenarios. Of course these ideas cannot be implemented on a 1:1 scale – they have yet to be linked to the social system and are often seen as foreign by those concerned. It is often unclear how binding the proposals are, who is supposed to implement them, who will be affected and how. Due to the potential for insecurity at this point, it is vital to create process security – a stable transformation process – particularly to provide those involved with markers and milestones on which they can rely on when developing the ideas and content of the change (vision, strategies, organization models) and to allow these to mature within a stable structure. The involvement of key players – who are highly trusted by the different stakeholder groups – is essential in this phase. The (perceived) performance of the system usually increases in this phase. Future concepts, clear master plans and clear organization provide security – this immediately reduces the perceived "hazard potential". There is a collective feeling of interest, and a high spirit of optimism among those directly involved. This is further strengthened by first successes in the project.

Change agenda – what to do?

1. Vision work: "we are creating a future – a future that matches our company"

A strong vision is an essential energy source for change. We have had good experiences with a resource-oriented approach (*Where do our strengths lie?*), beginning with the key players and their very personal perspective and then in-

tegrating "objective" future trends and stakeholder perspectives. This approach works at overcoming perception barriers regarding one's own creative potential (*"I will only be able to change myself if I can also think differently"*). The vision has to be a dream that is both challenging and realistic – and that fits the system. This is all about self-discovery and identity. It is a process that requires both time and room to grow, to ensure that the image of the future (*"What makes us unmistakable, what is our focus?"*) is well-anchored – not only rationally, but also emotionally.

>i<   **Possible interventions:**
- Continue the vision process (see Phase 1)
- Deliberate staffing decisions for persons who "stand for" this future
- Creative groups that describe "utopias that match our world"
- "Quick Wins and Go to Market Workshops1 + 2" (concept see Chapter 8)
- Symbolic action: "paper basket – museum – showcase" (concept see Chapter 8)

2. Develop strategy and master plan: "Hard cuts and new growth in the 'big picture'"

The most important thing in this phase is to make decisions concerning strategy, organization (structures and processes) and staffing – or at least the staffing procedure – for crucial positions. Also important is deciding on the architecture (who will participate in the change process, and how?) and the master plan (what is to be provided and when?). As uncertain as the outcome of radical changes may be, a fundamental strategy and a professional master plan increase (subjective) security. Commitment grows, because discussions and deliberations on the change process are now informed by a conception of the future as a path leading to implementation. Thinking and talking are trial runs for "the head and the heart". This is why who takes part in shaping the implementation strategy and master plan and how this process proceeds are important. Investing quality and time now saves a great deal of money and time and prevents unnecessary conflicts in the next phases. Based on our experience, this type of plan is most effective if negotiated directly with the concerned stakeholders. Large-scale "start-up" events have proven helpful for this, as they prevent the ivory tower-effect.

Special attention should be given to the question of how "hot potatoes" (e.g. outsourcing of divisions, fusion of departments, removal of management

levels, dismissal or transfer of employees, central personnel decisions) are dealt with. One vital aspect is creating transparency on how these "hot potatoes" are being dealt with. Another is that planning and implementation of these measures – if they are perceived as "hard cuts" – require their own architectural elements and settings in order to meet the demands of "unlearning" and "letting go" (see Chapter 3 on "Hard Cuts" – "drop your tools"). It is important to provide entirely different architectural elements where new growth is required. Splitting up the strategies for hard cuts on the one hand and new growth on the other – with simultaneous overall control – is particularly useful in the case of a "radical repositioning" ("dual change architecture"), since the emotional dynamics of these two emphases are absolutely contrary.

>i< **Possible interventions:**
- Stakeholder Analysis II ("live")
- Large-scale startup event
- Project management master plan (project task, milestones, timetable, costs, resources – careful: do not underestimate!)
- Strategy implementation pilot project (see Chapter 8)
- External "Sparring Partner System" (SPS) for hard cuts (see Chapter 8)
- Strategy retreat with key players (see Chapter 8)

3. Architecture and teams are crucial: "security through process stability and confidence"
The decision of where the main responsibility for implementation should lie (directly in the management team, in a separate change team or a corporate development department) is of central importance. All other architectural elements should be selected depending on this fundamental decision in order to ensure maximum process security. Teams are essential motors for any change, since they are best able to illustrate and manage their social and content-related complexity. A great diversity of subject matter, knowledge, emotional acceptance and an appropriate depiction of the complexity of the overall system (stakeholder representatives) need to be integrated. When put together correctly and motivated with good incentives, teams are best suited for the integration of knowledge, experience and emotions. The standard principle in staff selection should be: "Team up the best".

2. Phase: imagine the future – develop architecture, chart the route!

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The most important functions the change architecture should include are: decision, control, communications, content-related expert work, pilot testing, response and multiplication, evaluation, support and know-how production.

>i< **Possible interventions:**
- Selection of architectural elements
- Management retreat
- Symbolic authorization of those responsible for implementation
- Making fundamental architectural decisions: *"Is control located in the management team, change team or in a corporate development department?"* (concept see Chapter 8)
- Staff selection (e.g. using the Forms of Capital model) (concept see Chapter 8)

4. Communicating in earnest and with transparency: "This is where we want to go" – "This is how we'll get there" – "Business Case of the Future"
At this point, it is good to review the initial phase of "rousing communication" to see what has been clarified and achieved since then and to project a new picture the objectives and the route. Communicating visions concisely *and* in a way that transports their emotional content is a major challenge. People can only really identify with the change if they are dealing with it personally and therefore bringing their own personal perspectives and emotionality into the process. The rule of thumb is: *"Someone who is involved in the preparation doesn't need convincing."* The best way to describe the projected results of the transformation is in the form of a Business Case of the Future. In the light of such images of the future, the change acquires usefulness for the stakeholders and starts to make sense. Providing information quickly, launching decentralized initiatives ("hands-on change") and making use of modern information technology ensures that communication is transparent and intense.

Success factors:

- "Emotional" – "vivid" – "concise": this applies to titles, symbols and experience-oriented elements in the communication of the beginning transformation process.
- Interaction: communication means creating points in common. Speak – listen – understand – question – and react. Having something in common is a necessary prerequisite for beginning a relationship. This means dealing

with one's own feelings and reactions as well as those of one's counterpart, i.e. the stakeholder. Feedback is important for flexible, target group-oriented control of the change process.

- Consistent repetition of the most important messages: this highlights their credibility. Letting "deeds speak for themselves" fortifies the message (the role model effect, especially in management, is a great multiplier).

>i<   **Possible interventions:**
- Generate tension and pressure through clear, challenging goals set by executive management
- Introduce an open evaluation/controlling system for change
- Organize decentralized discussion forums with feedback
- Set up a dialogue platform on the Intranet, with "rapid" information (e.g. project telegrams)
- Symbolically communicate the "golden thread" (concept see Chapter 8)

5. Intensifying and spreading change management know-how: "On the art of change"

Change management is an important new management qualification and requires professionalizing. Coaching or ad hoc workshops – but also a network of focused professionalizing activities with training modules, external consultation and activities to support the knowledge transfer – are necessary for providing broad support for the change processes. Concrete know-how that is in close contact with the change process is crucial: the time resources of those responsible for the change are the scarcest commodity in these processes.

>i<   **Possible interventions:**
- Expert forum/pool
- "Train the trainer" concepts for change multipliers
- Individual consulting/coaching for key players
- Internal change management course for decision-makers (high impact parallel to the transformation process doubles the benefit!)
- "Traveling to foreign worlds" (concept see Chapter 8)

3. Phase: make brave decisions – jump into the deep end

What's the situation? An example:

A globally active mechanical engineering company is in the midst of upheaval. The executive board and management team have developed a concept for the future. The plan is to relocate production to low-wage countries, reduce delivery time by 70 % and simultaneously intensify internationalization and increase service quality. Around 30 prioritized implementation projects have been started. The initial successes prove the decision-makers right. It seems to be possible to "adjust" in numerous different areas without losing the overall picture. But then, operative problems increase: although production test runs were successful, difficulties are cropping up in series production. Delivery times are off because single parts are missing – even the simplest things no longer seem to work.

Now that the central decisions on future, strategy, organization and individuals have been made, focus moves to the initial implementation steps. The greater the change's complexity, the more the design of the process needs to be pro-risk, pro-experiment and adaptable. This also means the exclusion of extensive, "perfect" conceptions of the project that aim for one to one implementation. Much more effective is trying out large-scale projects in small test runs and learning from these experiments.

An initial euphoria among those involved is typical for this phase – just as typical as the following disillusionment. "Monstrosities" occur, which on closer examination turn out to be misunderstandings or misinterpretations – these are understandable reactions to fear, or aggressive tendencies meant to protect established identities or "conquer" new fields. Resistance arises with the increasing realization of what elements of the former identity will be kept and what elements will be developed.

Change agenda – what to do?

1. Plan and implement quick wins: "Using the trampoline"
"Quick Wins" is an often-used term, but in practice, the results rarely meet basic requirements:

- **"Quick"** means right after the launch of the change, and with surprising speed
- **"Win"** means a lasting, noticeable improvement for several process stakeholders

Quick successes are a very effective way to raise the credibility of change. They also have a considerable external and internal effect, generating energy and motivation for the further transformation ("motor effect"). But from the very beginning, they also necessitate hard work, courage and above-average performance. The "dramaturgy" of the initial successes (timing, interactions and expected benefits for various stakeholders) should be well thought through, to prevent energy from going up in smoke after an initial burst of enthusiasm.

>i<   **Possible interventions:**
- Resource planning
- "Salvation of Sisyphus" – solution of an old, previously unsolved problem
- Quick-win competitions: e.g. "colorful houses" – *Whoever shows operation in the black first will have their office building repainted."*
- Quick-win portfolio: rating ideas according to their implementation times/benefit/expenditure (concept see Chapter 8)
- Stakeholder impact analysis: examine the effect activities have on individual stakeholders to get a feeling for external perception(concept see Chapter 8)

2. Set signals for hard cuts: "Challenging and unpleasant things first – but with support measures – true to the theme: 'clear, but sincere!' "
Hard cuts are draining – both for the organization and their personnel. In our opinion, a "double strategy" is suitable for successfully overcoming this process. Active communication and clear implementation of hard cuts on the one hand, but support measures for all those affected on the other. Attempts have occasionally been made to make the "true extent" of hard cuts known only bit by bit, but this undermines credibility and gives rise to continual further speculation (*"What's coming next?"*). Sometimes those affected are left in the lurch – this can apply both to those who leave or to those who experience the change as a loss or derogation, as well as to their managers. This phase model gives orientation for the stage of "bearing bad news"[38] provides insight on what is important to consider.

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[38] C.f. Königswieser, 1985, p. 52 et seqq.

Even for the winners, or those who stay on, "hard cuts" are not easy. Typical reactions include the "survivor syndrome" (see "Hard Cuts" in Chapter 3: "Un:balanced Transformation"). Declining morale, mistrust in management, guilt and de-motivation are the most frequent negative consequences if this process is not managed proactively and with intense communication. What employees need now are support measures that they can modify for their individual use – and above all, the tangible presence of management. Since hard cuts change personal identity, relationships and the system all at once, it is also important to offer means for symbolically processing this.

>i< **Possible interventions:**
- Self-organization of the farewell
- Information systems for recording achievement and feedback
- Key account strategy work with customers
- Support workshop for "the other front" and coaching sessions
- Balance preservation and change: hold the past and everyone's contributions in esteem/offer means for symbolically processing the change
- Hotline
- The "management team speech" (concept see Chapter 8)

3. Fostering growth and innovation: "Incentives and loose reigns"

Qualitatively oriented, spontaneous generic growth cannot be forced – it sprouts where there is desire for innovation and fertile ground, where people bring their experience, know-how and energy into play, encouraged by strong incentives. This phase is all about "planting the seedlings" and providing the necessary space, resources and incentives for them to grow. Important ideas often come from outside – although there is always hesitance to cooperate with customers, suppliers and value-adding partners at such an "early" phase. Getting innovative ideas to take root in transformation processes is anything but trivial: it is a matter of breaking down the perception barriers of the former everyday routine, coming up with something new and exciting, protecting ideas, allowing them to mature and then testing them (see "New Growth" in Chapter 3: "Un:balanced Transformation").

>i< **Possible interventions:**
- Set aside special areas/labs for experiments
- Pilot projects with value-adding partners (customers, suppliers)
- Intensifying innovative potential in the team (concept see Chapter 8)

- Changing the general framework (concept see Chapter 8)
- "Future cabaret": scenes from the future (concept see Chapter 8)
- "Innovation markets" (concept see Chapter 8)

4. Working with the opposition: "with the opposition – not against it!"
"Opposition" to organizational changes is common – approaches to confronting this problem vary. Managers and consultants sometimes consider it necessary to assert "their solution" – and derogate whoever opposes it.

The alternative is working "with" and not "against" the opposition – seeing whether and how the opposition's energy can be utilized. It has often been shown that not taking known opposition (synonym: the works council) into account shortens the concept phase, but prolongs or diminishes the effectiveness of implementation. Change situations are necessarily ridden with contradictions and ambivalences. Appreciating this and working with opposition is arduous and costs energy, as it means that change concepts one has already established are, once again, up for negotiation. The first step is to understand the opposition: "*Under what circumstances would they cooperate?*" The answer to this question often opens up new options, since opposition arises from concrete concerns: "*What is going to stay the same, what is going to change?*" Or more specifically: "*What am I going to gain/lose?*" The good news: If opposition emerges, it means that change is being taken seriously, and the confrontation between continuity and change is becoming tangible. The bad news: opposition means conflict, and a position has to be taken on how conflicting interests and the "allocation of the change budget" are to be negotiated. Opposition is being made use of positively when negotiation among the stakeholders intensifies implementation.

>i< **Possible interventions:**
- Inclusion of key players in the project architecture
- Events with an open, dialogue-oriented format, such as "opposition – acceptance – new creation"
- Paradoxical interventions such as "scapegoat search" or "winner-loser solution"
- Workshop: "Conveying shocking news"
- Dealing with contradictions: cost/benefit (concept see Chapter 8)

5. Using evaluation as a motor: "widespread, stimulating – with consequences"

By evaluation we mean the pointed, consistent and continuous assessment of transformation. Evaluation goes beyond control that focuses on indicators and result criteria for objectives. It provides orientation not only concerning the status of target indicators and performance indexes, but also concerning the overall effect of the transformation process on the system. This is why professional methods (qualitative and quantitative tools, group interviews, mini questionnaires) and the impartiality of the evaluators are crucial. *"You get what you measure!"* What and how we measure and evaluate influences both actions and results in transformation processes. In order to evaluate where one stands, one must not only have clear pre-determined criteria for measuring results but also take into account "feedback loops and side effects" that were not included in the original equation. Evaluation provides valuable information for the control of "work in progress". The effort is worthwhile, especially if it provides prompt, efficient, incisive and interactive feedback to those managing the transformation. Evaluation is an intervention in itself. It provides information for process control and is a motor for the targeted transformation. Therefore, initiating evaluation is a top priority.

>i< **Possible interventions:**
- Reviews of senior management
- Evaluation of management accounting
- Open, qualitative individual/group interviews, with subsequent feedback to those concerned and follow-up measures
- Change barometer
- "Stand up or remain seated" (concept see Chapter 8)
- "Mini-evaluation-change status" (concept see Chapter 8)

4. Phase: implement change consistently

??→ **What's the situation? An example:**

A traditional, somewhat antiquated information service provider has blossomed into a prime Internet provider. In the course of numerous projects, employees also work on securing and expanding the company's strong market position on the Internet. After a very good start and considerable employee interest, numerous projects begin to falter. There are various, in individual cases

quite plausible reasons for this. The project management group is exhausted, and the board is sending conflicting signals. In a management group crisis meeting on the subject: *"Discontinue or proceed with new energy?"*, the managers decide to continue, but in a more consistent, determined fashion. In order to focus resources, three projects are "cancelled" and another five are postponed until the next year. As a result, there is sufficient energy for the remaining activities.

The initial euphoria has vanished – the setbacks are acutely felt. What now? An often (unofficially and officially) posed question at the start of this phase is: *"Should we quit or carry on?"* Candid discussion has a liberating effect on those involved. Once the bubble of enthusiasm has burst, it is a matter of scrutinizing the started projects and pursuing them consistently and according to clearly set priorities. Active communication provides important support (*"We're sticking with it!"*).

Middle managers – as the mentors or multipliers for responsible for implementation – are now at the epicenter of change. The effects of the change spread; further quick wins have a bolstering effect; more and more projects are concluded. The perceived performance of the system experiences a surge. At the same time, a great deal of identity work is necessary – the transformation is far from concluded.

The various target groups often find themselves in completely divergent states. Senior management is usually impatient, since the change, in the abstract sense, is "over with". Those who participated in pilot projects are still involved. The implementers are in the midst of their work, and some of the affected persons still need to be won over and integrated. On the timeline, this phase is clearly longer than its predecessors, and demands a great deal of endurance from those involved.

Change agenda – what to do?

1. Push forward implementation activities and projects consistently: "Like the legendary 'Baron Munchhausen', pull yourself up out of troubled waters by your own hair"
The pilots projects have been evaluated, implementation across the board has been planned, and the projects for this are ready to go. Disillusionment and

realism dominate the general mood. It is clear that a great deal of "fine-tuning" is called for, as well as training and practice. The danger of "change fatigue" is lurking around the bend. The desire to turn back increases – back to the old ways that were familiar and could be followed with self-confidence. The new has been tried out, but still seems alien in everyday business. Everyone has now been informed about the new strategy and organization, and all personnel decisions have been made. The road to the top is clear but steep. The challenge is to get there under one's own steam. In this phase, transparency on the status of change for all those involved is critical. Incentive systems intensify implementation; concentration is focused on effective partial successes. It is important to ensure that decision-making paths for over-arching measures are short and efficient. An emotionally effective overview of the situation needs to be provided at regular intervals. Effective leadership – particularly among middle management, which is driving the transformation – is called for. Project management instruments are a prerequisite, but do not decide the game. Now, after the pilot projects and the first trials are over, it is time to implement the change on a broad basis.

>i< **Possible interventions:**
- Implementation control: "traffic lights"
- Project portfolio (see case study "Live and let die" in Chapter 6)
- Evaluate pilot projects – check possibilities for further implementation (concept see Chapter 8)
- Symbolic action: "paper basket – museum – showcase" (concept see Chapter 8)
- Symbolic implementation of the overall results (e.g. a "rising column" at the main entrance) (concept see Chapter 8)

2. Constantly adapting the architecture: "nothing is permanent!"
Combining desire for the new with broad involvement is important for architecture and design in this phase. This makes it necessary to renew the change architecture. The following principles are helpful when designing interventions:

- Create incentives for implementing projects aligned as closely as possible to the (new) business process or business model
- Professional overall change management integrates hard cuts and new growth into a single implementation process

- Strengthen incentives and implementation competence for middle management
- Major events build networks among those involved and facilitate a combination of cooperation and competition in implementation
- The "Ace Pilots" who ran the pilot projects are available as consultants, experts and providers of ideas.
- In simulation workshops, new processes/models can be tested on a broad basis, pros and contras discussed and feedback processed for fine-tuning the new models/concepts. This is managed by those responsible for implementation.
- Intense training and qualification offensives give employees the competence and know-how they require for implementation
- Meaningful customer activities & successes create a pull-effect for the business and provide motivation for the broad implementation of the change.
- Planning quick wins and implementing them in the day-to-day business generates energy for the "performance surge" in this phase.
- Evaluation is necessary, since many turbulences are to be reckoned with in this phase.

>i< **Possible interventions:**
- Overlapping project teams
- Phase architectures with clear handovers
- Rotation principle in the board of directors
- Project manager switch
- Handover of responsibility from project team to management team, i.e. from project to the line (concept see Chapter 8)

3. Winning over those who remain neutral or skeptical: "From the team to the organization"

A change process can also be described as a continuous alternation of "opening" and "closing" working modes. What do we mean by this? At the beginning of Phase 4, the decision has to be made: *"Do we continue, proceed on a broad basis, or not?"* This decision is made within the circle of those involved and those who worked on and tested the pilots. After this bottleneck, the broad implementation of change moves up on the list of priorities. Stakeholders – many of whom may still view the process neutrally or skeptically – are now the focus of attention. All those involved up to now act as multipliers. Here again, it is a

matter of finding a balance between persuasion on the one hand and dealing with contradictions and negotiating solutions on the other.

>i< **Possible interventions:**
- "Stakeholder Analysis IV" with clear target group strategies
- "Open house" days
- Work on personal perspectives in the new context
- From the outside inwards: "Customer Parliament" (concept see Chapter 8)
- Comprehensive project work (concept see Chapter 8)

4. Adapting systems step by step: "Good systems save energy"

Most change processes have a project & team-oriented "set-up". This generates a great deal of energy and facilitates adequate treatment of the change's overall complexity.

In order to anchor change throughout the organization, the systems that determine the person-organization relation are now gradually adapted: systems for business control, controlling systems, HR or incentive & salary systems, communication systems, etc. Which steps are taken first varies from organization to organization. The system with the greatest leverage and the greatest amount of attention needs to be identified, then adapted. This necessitates intense diagnostic work in management accounting, and the involvement of internal or external experts.

>i< **Possible interventions/approaches:**
- MBO (management by objectives) and incentive systems
- Wage & salary systems
- MIS/IT systems
- Personnel development/career development
- Strategy process
- Planning & budgeting process, management accounting systems
- "Meeting check-up" (concept see Chapter 8)

5. Continuing the process of learning and improving qualifications for the transformation: "Take a look behind your own scenes, and build competencies"

This stage involves learning and acquiring the qualifications and competencies necessary for the realization of change (e.g. leadership competence, technical

& process knowledge, IT know-how, market expertise, social competence, languages and intercultural knowledge). Based on our experience, the importance of these qualifications for success is often underestimated. Target group orientation, "business proximity" and experiential learning are success factors ("learning on the job", on-site super-user & coaching concepts, high-impact workshops and training). A great deal of energy is invested in implementation. Whether it has been meaningfully employed and which of the new solution and action models is the most effective needs to be evaluated, also in terms of quality. This increases efficiency, overcomes perception barriers and creates impulses for further "fine-tuning". Evaluations are by no means process decelerators; they improve efficacy, but also release strain and enable a deeper understanding for the change among those involved (deliberate "identity work").

>i< Possible interventions:
- Multiplier & super-user models
- *"If we were to start from scratch now …"*
- Project database
- Target group-specific qualification initiatives
- "Learning on the job" with support
- Project manager exchange group: meta-control principles
- Regular study groups (e.g. "study trios") (concept see Chapter 8)

5. Phase: master the high-altitude challenge – consolidate success

?? ➔ What's the situation? An example:
An international commercial and private bank has pursued extensive reorganization projects since undergoing a merger. The majority of these have been concluded, but several critical projects are still on the agenda, among them market and synergy projects. For many employees, the transformation is finished, but numerous open questions still remain in "everyday operations". Coordination between all the systems of the fusion partners has yet to be accomplished, specifications are often contradictory. A stable new corporate culture is out of the question at the moment. The executive board conducts a review and sets up a new project office.

The fifth phase is the longest on the timeline, and the most decisive – even if not the most exciting – phase. After the phases of strong project orientation and surface implementation, the focus shifts to broadly based system integration and "in-depth" anchoring. The transformation is gradually becoming reality, is no longer a foreign concept, and is anchored in the corporate culture, everyday routine and, above all, in management (multiplier for anchoring). Many employees have already been integrated. Nevertheless, there are still major differences in the approach to new things. A few ups & downs are experienced; slowly, the system's performance stabilizes at a higher level. Now it is a matter of integrating *all* systems and *all* employees, or anchoring "the new spirit" in day-to-day business. The conclusion of the transformation needs to be thought through and planned with "dramaturgical" skill.

Change agenda – what to do?

1. Attuning management systems: "integration on all levels"
Initial steps have already been taken in Phase 4, and those system changes that attracted the greatest attention/sensitivity for change have been accelerated. Now it is a matter of continuation and adaptation to the system in the interest of overall consistency. The fundamental question is: Does the business model match the management systems (e.g. planning, management accounting and control), the HR system (target agreement, task-competence-responsibility, incentive & salary models, career development) and the communication architecture? Creative, new solutions – which can also have a simplifying effect – are called for. Who should take care of this? A combination of system experts, decision-makers and users.

> **>i<   Possible interventions:**
> - Analysis of systems/business instruments
> - Management team meeting → system check
> - Scenario: If an employee optimizes "in conformity with the system", what are the results?
> - The "system lemon" of the month
> - What do we get rid of? (concept see Chapter 8)

2. Changing the company culture: integrating behavior, norms and values in daily business – "Awareness generates new opportunities"

Corporate culture comprises mental images, assumptions, values and norms that characterize behavior in the company and provide orientation. Often, it is not even a matter of conscious awareness, but rather something like a "glossary of common practice". Culture can only be influenced slowly, only to a minimal degree, and never directly. Raising awareness for expressions of corporate culture is the first step in cultural change. This can be managed by external diagnosis – often combined with internal activities, e.g. research teams trained in methodology, who conduct diagnoses on their own. The processing of diagnoses in open, dialogue-oriented settings constitutes a good basis for further developmental activities. This phase is about creating incentives for cultural change that will stabilize and secure the transformation in the future.

> **>i<** **Possible interventions:**
> - Success stories of positive cultural elements, visible sanctions and examples for unproductive elements
> - Role models
> - External cultural diagnosis
> - Symbolic integration: symbols for the new
> - "Values Diamond"
> - Company culture research team (concept see Chapter 8)

3. Continuing widespread training: "Practice, practice, practice"

Transformation-specific training sessions cannot be bought off the rack from seminar providers. They are tailor-made, target group-oriented programs, the aim of which is to build up the know-how and qualifications necessary for carrying out the targeted implementation, and to test behavior in interaction with others (e.g. in simulations). Knowledge transfer in the organization is not only a training topic, but above all a management task ("learning on the job", superuser, learning platforms via Intranet/Internet).

> **>i<** **Possible interventions:**
> - Combination of team-oriented and comprehensive events
> - Preparation and follow-up of training events with the supervisors: "transfer check"
> - Learning platform on the Intranet
> - Central large-scale events

- Regular study groups (e.g. study trios) (concept see Chapter 8)

4. Venturing out: "Leave the stable: the fortune of the earth is to be found on the backs of horses"
Successful change is always market & result-effective. Phases of intense inward orientation are also necessary in transformation processes. While Phases 3 and 4 are more concerned with isolated initiatives involving contacts with customers and partners (e.g. focus groups, "Customer Parliaments" and pilot projects), now intense and consistent external orientation is called for. The new has become routine, confidence has been regained, and now it is time to set sail – at full tilt.

- We have had good experiences with an early integration of customers and value-adding partners into the change process – for several reasons:
- Many processes can only be optimized along the entire value-creation chain (key terms: supply chain management or customer relationship management).
- Partial optimizations do not yield much – customers and value-adding partners change with the company.
- Customer & supplier loyalty increases.
- The image of "openness and professionalism" has a high empathy value.
- New ideas emerge and are implemented around the same time
- "Moving outwards" has an inwardly strengthening effect (feedback).

>i< **Possible interventions:**
- Supply chain project
- "Stakeholder Analysis IV" with target group strategy
- PR/media work – "live" integration of journalists
- Community events
- Key account events (concept see Chapter 8)

5. Shifting focus to leadership and concluding the transformation – "Making the inspiring move to a new performance level"
One can plan and control many things with systems and structures. But if leadership is lacking, any change can become technocratic and "heartless". Enthusiasm is an emotional dimension. Changes are most effective if the employees "want" them – and do not "have to endure" them! In addition to vision and architecture, leadership is an essential lever in this context. And by this, we do

not mean the ability to motivate "on the surface". We mean knowing how to lead a group of people so that every single person feels that they are "in good hands", and that the group as a whole can be moved to achieve outstanding performance. The renaissance of leadership is an indication that personality development is once again gaining importance in the management world. How managers themselves feel in transformation processes is decisive for how they act outwardly. A strong sense of self and social competence are of much more importance for success than cognitive management skills. The transformation comes to a clear conclusion with the transfer of responsibility to those "directing" day-to-day business. For transformation management, this is a time for substantial evaluation and review: *"What did we achieve, how was the quality of change management?"* In emotional terms, this once again concerns "leaving the old", but now with justified confidence in the future: The transformation is successful and is becoming a part of the company's history. Pride in the collective achievement and an atmosphere of celebration characterize the conclusion.

>i< **Possible interventions:**
- Incentive systems → leadership
- Training: change leadership for top managerial personnel
- Self-experience, group dynamics for managerial personnel
- "Peer-to-peer counseling"
- Coaching
- What do we get rid of? (concept see Chapter 8)
- Transformation conclusion event (concept see Chapter 8)

Phase model overview

Phase 1: Interrupt the routine – we need to change! (P. 208)
1. Interrupt routine: "The change starts with me."
2. Evaluate the need for action: "From the outside inward"
3. Assess change capacity "Let's test ourselves!"
4. Rousing communication: "Open things up – take a position – set signals"
5. Identify key players: "Find the best people"

Phase 2: Create images for the future – develop architecture, plan routes! (P. 213)
1. Vision work: "We are creating a future – a future that matches our company"
2. Develop strategy and master plan: "Hard cuts and new growth in the big picture"
3. Architecture and teams are vital: "Security through process stability and confidence"
4. Communicate earnestly and transparently: "This is where we want to go" – "This is how we're going to get there" – "Business cases of the future"
5. Intensify and spread change management know-how: "On the art of change"

Phase 3: Make brave decisions – jump into the deep end! (P. 218)
1. Plan and implement quick wins: "use the trampoline"
2. Set signals for hard cuts: "Challenging and unpleasant things first – but with support measures – true to the motto of "clear but sincere"
3. Promote growth and innovation: "Incentives and loose reigns"
4. Work with opposition: "With the opposition – not against it!"
5. Utilize evaluation as a motor: "Widespread, stimulating – with consequences"

Phase 4: Implement consistently – combine desire for the new with broad involvement (P. 222)
1. Push forward implementation activities and projects consistently: "Pull yourself out of the water by your own hair (like Baron Munchhausen)"
2. Continuously adapt the architecture: "Nothing remains permanent"
3. Win over neutral and skeptic individuals: "From team to organization"
4. Adapt systems step by step: "Good systems save energy"
5. Continue to build up learning and qualification for the transformation: "Take a look behind your own scenes and build competencies"

Phase 5: Master the high-altitude challenge – anchor successes (P. 227)
1. Attune management systems: "Integration on all levels"
2. Cultural change: integrate behavior, values, norms in daily business: "Awareness generates new possibilities"
3. Continue widespread training; "Practice, practice, practice!"
4. Increasingly venture outward: "Leave the stable: the fortune of the earth is to be found on the backs of horses"
5. Shift focus to leadership and conclude transformation: "move to new performance with enthusiasm"