From Bogged Down to Fired Up: Inspiring Organizational Change

Bert A. Spector *Northeastern University*

Sloan Management Review
29
Summer 1989

KNOWING AN ORGANIZATION NEEDS to change and *getting* it to change are two very different things. This article focuses on the need to convince employees that the status quo is not satisfactory—and on tactics to achieve that end. The author studied six organizations whose leaders tried to introduce radical change. Some interventions were successful (when a steel plant manager opened the books to union leaders, he convinced them the plant would be closed if changes were not made), while others were not (the CEO who bad-mouthed his new company in the business press just angered employees). The author's framework for intervention, and his colorful case examples, together form a picture of the checks and balances needed for effective team building. *Ed.*

My point is simply this—managing organizational change is a topic American business needs to examine and understand because fundamental change will be the order of the day for the foreseeable future.[1]

THE STATEMENT ABOVE, made by the president of Southwestern Bell, reflects a growing consensus among U.S. business leaders concerning the demands that will be placed upon them and their organizations in the coming decades. That consensus has two distinct dimensions:

- Massive organizational change is inevitable given the volatile nature of our competitive environment.
- Adaptable, flexible organizations will enjoy a distinct competitive advantage over rigid, static ones.

Scholars, too, have been paying attention to the dynamics of large-scale organizational change. How do organizations change? More specifically, how can our understanding of organizational change inform the actions of managers who want to transform their own organizations?

A key question for scholars concerns the initial stage of the change effort; that is, how do managers create a state of organizational *readiness* for change? Organizations are bureaucracies, and as such, Renato Mazzolini says, they tend almost naturally to resist change.[2] Barry Shaw explains at least some components of that resistance less in terms of bureaucratic organizational structure than in terms of individual behavior. Organizational members become committed to a course of action and then escalate that commitment out of a sense of self-justification.[3] In order to overcome such resistance to change, extraordinary pressures must be brought to bear on organizations and individuals.

The need for this pressure has long been recognized by students of organizational change. Michael Beer, for instance, notes that organizational arrangements experience pressure to change only when they no longer allow the organization to respond to new competitive or environmental conditions.[4] Dissatisfaction with the status quo, in other words, fuels organizational change.

But the literature on change tends to focus exclusively on how such pressures are experienced and acted upon by top managers or unit leaders. "*Top management* [emphasis added] seems to be groping for a solution to its problems," writes Larry Greiner of the opening stages of organizational change.[5] Wendell French and Cecil Bell agree: "Initially, in successful organization development efforts, there is strong pressure for improvement, at least on *top management* [emphasis added] of an organization or one of its subunits, from both inside and outside the organization."[6] Noel Tichy and Dave Ulrich elaborate on this view: "The *dominant group* [emphasis added] in the organization must experience a dissatisfaction with the status quo."[7] Those dissatisfied leaders, in turn, mobilize commitment to a new vision and translate that vision

Reproduced with permission of copyright owner. Further reproduction prohibited.

into practice by institutionalizing reinforcements for a new organizational culture.

A recent study of organizational change and revitalization conducted by the author with colleagues Michael Beer and Russell Eisenstadt suggests that the dissatisfaction of top leaders may well be *necessary* in order to initiate an organizationwide change process, but that dissatisfaction alone is hardly *sufficient* to bring about and sustain real change.

Organizational Change

30

Spector

Bert A. Spector is Assistant Professor of Human Resource Management at the College of Business Administration, Northeastern University. Dr. Spector holds the A.B., M.A., and Ph.D. degrees from the University of Missouri. He is currently involved in a study of organizational revitalization with colleagues Michael Beer and Russell Eisenstadt. Tentatively entitled The Critical Path, *the book will be published next spring by the Harvard Business School Press.*

Changing Organizations

Our study targeted six companies engaged in a process of organizational revitalization; these firms were attempting to fundamentally redefine the relationship between individual employees and the corporation in order to make the organization more competitive. We selected six companies that would provide a range of organizational forms—centralized and decentralized—as well as of industries—smokestack manufacturing, financial services, consumer electronics, and information systems.

The research methodology included extensive field interviews and observations conducted over a four-year period. We spent five to six weeks, and in some instances longer, in each company. We started by interviewing human resource executives and then visited various plants, branches, and divisions. In all locations, we interviewed key line managers, employees at all levels, human resource staff, union leaders if there were any, and consultants. Finally, we interviewed top corporate executives. Later we made follow-up visits to get longitudinal data on the change process.

When the fieldwork was completed, we ranked the six companies on an effectiveness dimension: how innovative were their changes, and to what extent had innovations permeated the organization? We ranked each individual unit visited, as well as the corporations as a whole. Data from questionnaires distributed to organizational members after the field research was factored into the judgments of effectiveness.

What became clear to us was that organizational leaders do not change organizations. What they do is to oversee and orchestrate a process in which line managers up and down the organization attempt to change their own operating units. Plant managers seek increased worker commitment to enhance productivity and quality as well as shop-floor flexibility. Divisional leaders encourage their general managers to do more collaboration and problem solving. Unit leaders try to instill employees with more aggressiveness and responsiveness. While leaders may be convinced of the need for change based on their own dissatisfaction with the status quo, that dissatisfaction is not enough. They must find ways of sharing it with the members of the organization who will actually institute new ways of thinking and acting.

This distinction between a dissatisfied leader and a leader who *diffuses dissatisfaction throughout the organization* is more than a simple refinement of the existing theory of organizational change. Overlooking the diffusion step can be (and often is) profoundly debilitating. When leaders jump directly from being dissatisfied to imposing new operating models, they fail to generate any real commitment to change. Employees greet new organizational and behavioral models with resistance or, at best, half-hearted compliance. Change programs get bogged down, and leaders become frustrated by employees' failure to perceive the dire and seemingly obvious need for change.

Strategies for Diffusing Dissatisfaction

In the successful change efforts that we observed, the top leader's desire for change was inevitably followed by interventions that diffused his or her dissatisfaction. The interventions can be sorted into four generic types.

- Sharing competitive information.
- Pointing to shortcomings in individual, on-the-job behaviors.
- Offering models that suggest not just where the company ought to be headed but also how far it is from that goal.
- Mandating dissatisfaction.

Sharing Competitive Information

The most common method for diffusing dissatisfaction was the dissemination of information. Usually the information consisted of details about the company or unit's competitive position. For the most part, this information had previously been available *only* to top management.

Information sharing of this kind is a symbolic way of equalizing power, overcoming conflict, and building trust.[8] It also spreads dissatisfaction. The case of Scranton Steel's Youngstown plant illustrates

Reproduced with permission of copyright owner. Further reproduction prohibited.

this use of information sharing.[9]

As the competitive crisis within the steel industry in general and at Scranton Steel in particular mounted, plant manager Fred Howard started sharing competitive information throughout the plant. "If you look at the newsletters we're sending out now," he said, "quite frankly there's information in there that in the past wouldn't have been given to all our employees. On a case-by-case basis, we've given departments actual profit information on their products. Ten years ago, this wouldn't even have been considered."[10]

And what was the impact of this information sharing? One of the key stakeholders was the local United Steelworkers' union. Because of the existing contract, little change could occur in the way work was organized on the shopfloor without the union's okay. The local union president *did* support Howard's call to change, reporting that Howard's willingness to share information—"to open the books to the union"—convinced him that the plant faced a severe competitive crisis. The information made union leaders, as well as rank-and-file workers, aware that maintaining the status quo would result in extensive layoffs, if not a plant closing. Thus, as dissatisfaction spread beyond the plant manager's office into the union hall, union leaders and the employees they represented began working closely with management on a wide variety of labor innovations.

The information sharing we observed was sometimes less rooted in specific competitive data than was the case at Youngstown. When Hugh Dorsey assumed control of the Fairweather Corporation, he presented not competitive data but an organizational diagnosis, and not by quietly disseminating information throughout the organization—he took his blunt, prodding diagnosis to the press. Dorsey talked freely to national and local reporters about his belief that poor management had undermined Fairweather's competitive position.

Similarly, when Henry Lester became president of US Financial, he frequently used the press as a platform. Almost immediately after becoming president, he announced on the pages of a national business magazine his intention of turning US Financial's "cautious and conservative style into a more streamlined and venturesome enterprise that stresses a market-oriented strategy and strategic planning." His use of the press as a bully pulpit from which to spread his message through the ranks of the organization continued throughout his tenure; he later used *Business Week* to complain about the risk-averse, noninnovative culture that he claimed permeated upper management.

Based on our research, these two approaches to information sharing are not equally effective. Most managers at Fairweather and US Financial reported being aware that their leaders' public statements indicated a high level of dissatisfaction. But they also reported feeling resentful toward these highly public and extremely critical comments. "These are matters that should not be aired in public," stated one of Dorsey's direct reports. Said another, "Dorsey talks about 'tough love' when he makes these statements. Well, as far as I can see, there's no 'love' here. Just a lot of 'tough.'" These managers and others like them remained in the organization, but top management's approach may well have caused them to resist or to comply only minimally with proposed changes.

Creating Behavioral Dissatisfaction

Sharing competitive information is intended to unfreeze attitudes and shake up the status quo. But organizational change has a micro as well as a macro perspective; it also focuses on individual managers' on-the-job behaviors and styles.

The field of organizational development has long recognized and employed such individually oriented interventions, ranging from T-groups and team building to more systematic ways of analyzing, categorizing, and transforming managerial behavior. Half the companies in our study used specific strategies to change individual behavior; interventions were designed to create dissatisfaction with the way managers were currently behaving.

Shortly after becoming president of US Financial, for instance, Henry Lester introduced attitude surveys that would be given regularly throughout the organization. The main tool was an employee opinion survey administered annually to about half the company's employees. It included a core group of about fifty questions designed to elicit a "general satisfaction level"; each division could add its own questions to meet specific needs. The results were broken down by units and given to unit managers, who were expected to conduct feedback sessions with employees and "contract" for some specific actions to address issues raised by the survey.

Both Scranton Steel and Fairweather relied heavily on team building as part of their change process. At Scranton Steel, it occurred at the plant

Reproduced with permission of copyright owner. Further reproduction prohibited.

level as a follow-up to local union-management agreements. Immediately following an agreement to work toward improved quality of worklife and productivity, there was an off-site session attended by top plant management and local union leadership. Specifics of the change process were worked out at that session, but participants from both union and management reported that the meeting was more important from the perspective of team development. External facilitators helped participants from both sides confront behavioral impediments to future collaboration. Said Howard, "If I could isolate one important step in getting us on the right footing, it would be the off-site. To me, that was a major turning point. When the meeting ended, it was clear to me just how similar our goals and ends really were. The process of getting away was an absolutely necessary step."

Fairweather's experience with team building was not nearly as successful. Immediately after assuming the presidency, Hugh Dorsey adopted an explicit strategy for building dissatisfaction with managerial behavior. He arranged for his managers to be taken off-site in groups of twenty-five to thirty; for five days they were put through a rigorous behavioral workshop that included self-assessment, lectures, team-building exercises, role playing, skits, and outdoor "survival" exercises all designed to point out shortcomings in current behavior and foster the new behaviors desired by Dorsey.

The actual impact of this behavioral intervention was evidently somewhat limited. Participants openly wondered about its relevance to their work lives. Organizers worried that they had never successfully followed up on the insights and commitments made at the off-site sessions. And Dorsey himself, although still a supporter of this type of intervention, conceded that the resulting change had been too small and had occurred too slowly to help save the company from its declining competitive position.

How can we account for the apparently significant differences in the impact of interventions aimed at creating dissatisfaction with behaviors? The key variable in the examples here seems to be the degree to which the dissatisfaction resulted from actual on-the-job behaviors or was imposed upon managers by the leader. US Financial's use of attitude surveys did seem to have some immediate impact. The company's own internal research could formally track improved attitudes and informally point to improved bottom-line performance in divisions that used the surveys rigorously. And the dissatisfaction reported in those surveys was produced, at least indirectly, by how managers actually behaved on the job. However, the positive impact proved to be transitory. Little evidence could be found regarding any real long-term changes in on-the-job behaviors.

Scranton Steel's team building proved more successful. Remember, though, that it occurred in this context: managers *had* to behave in new ways as they began working with union representatives to solve real business problems. The literature on plant-level change where unions are involved indicates that Youngstown's example is far from unique.[11] When managers work with unions in new ways, some training mechanism is required to confront, indeed change, traditional modes of behavior.

Fairweather's experience with team building was the least successful intervention. Whereas US Financial's attitude survey related directly to performance behaviors, and team building at Scranton Steel followed up union-management agreements that required changing old patterns of adversarial behavior, Dorsey's intervention seemed (to many participants) to be rooted less concretely in the needs of the business. The off-site sessions followed Dorsey's own assessment that his company needed to foster more collaboration among employees if they were to compete more successfully. Participants were not so sure. Some used words like "weird" and "crazy," while others dismissed the whole exercise as brainwashing. "You guys are trying to ---- with our minds" was the blunt assessment of one disgruntled participant. A key organizer admitted that participants found it difficult to take what they had learned back to their day-to-day work situation.

The changes promoted at Fairweather's off-site sessions, in other words, seemed to meet the needs of one individual – Hugh Dorsey – rather than to address the demands of the business. Thus, they could easily be dismissed.

Using Models to Produce Dissatisfaction

Scholars and managers alike stress that successful models encourage change to occur. They provide a vision of the future, and they can also help spread dissatisfaction with the status quo.[12]

Scranton Steel, for instance, used internal subunit models to build dissatisfaction. Almost immedi-

Reproduced with permission of copyright owner. Further reproduction prohibited.

ately after a union contract made collaborative quality-of-worklife efforts possible, Scranton Steel's head of labor relations began working with consultants on a process to ensure successful implementation. The consultants suggested using a survey to identify plants where implementation was most likely to succeed. These plants would already be close to the new model: a high level of union-management cooperation, managers whose problem-solving style had already become more participative, and generally positive working conditions.

The survey identified two possible plants, but the process had a more far-reaching impact than that. Information about these sites got back to the nondesignated plants; as managers at the firm's two largest plants realized they had not even been considered, and as word spread that the new chairman had endorsed joint union-management efforts in the strongest possible terms, anxieties began to arise. A member of the task force created to oversee implementation recalled, "Plant managers were saying to us, 'If we're not ready, what do we need to do to get ready?'" Key line managers began to demand a process that would move them toward revitalization. Holding some plants up as models of readiness, in other words, created dissatisfaction in many of the organization's other plants.

Mandating Dissatisfaction

When Don Singer, the newly named chairman of Scranton Steel, announced at an executive meeting what changes he considered necessary, one member of his management team objected. "You're talking about participative management – about collaborating with the union, information sharing, cooperative problem solving. But it won't be so easy. There's a lot of history to overcome." Singer listened while the executive finished this cautionary speech. He then pointed his finger directly at the executive and said, "Things are going to change around here. This is a way of life. And if things don't change," he added, "I won't be the first to go." Hugh Dorsey delivered virtually the same message: you must change according to my diagnosis of what needs to be done or leave the organization.

It would be difficult to pinpoint the precise impact of such a threat. In both cases, it was used only once. (This may be a case of "once is enough," since intimidating messages spread quickly.) Nevertheless, judging from the reports of managers, these mandates seemed to create compliance more than commitment. At Scranton Steel, the manager to whom the warning was delivered reacted by repressing any further public objections and reluctantly going along with the effort. He never agreed to an interview for the research project, so I cannot offer any direct insight into his thought processes. But subordinates and superiors alike agreed about his lack of enthusiasm and commitment. The chairman took to referring to the individual as his "internal resister."

Occasionally, the individuals to whom warnings were issued were replaced at a later stage of the change process. But while they were with the company, they almost never wholeheartedly accepted the leader's diagnosis. Top-down commands and threats violate the notion of free choice; doubters don't feel they "own" the choice to adopt new patterns of behavior.

At least one mandate proved much more effective. Duluth Products, the most successful "change" company in our sample, used models designed to create dissatisfaction, as well as a kind of threat, though not one aimed directly at individuals. After some early successes at job restructuring, participative management, and gain-sharing plans in small, relatively isolated plants, chief operating officer John Watson simply mandated dissatisfaction with the status quo throughout the organization. He made no explicit threats to job security. Instead, he announced that future corporate investments would go only to plants that undertook similar innovations. If plant managers did not yet share Watson's dissatisfaction with the status quo, Watson would provide them with a new source of dissatisfaction: you will lose corporate investment and support if you maintain the status quo.

Diffusing Dissatisfaction – A Key Concern

While this article has identified four distinct strategies for diffusing dissatisfaction, it is clear that not all applications of those strategies are equally effective in promoting change. Table 1 lays out the intervention strategies employed by three of the companies in our research sample: the leading change company (Duluth Products), the lagging company (US Financial), and a middle-level company (Scranton Steel). Although overall success in transforming organizations rests on far more than the initial intervention strategy, the evidence is nonetheless revealing on several points.

Reproduced with permission of copyright owner. Further reproduction prohibited.

Table 1 Dissatisfaction Diffusion Interventions

Company	Sharing Competitive Information	Pointing to Individual Behavior	Using Original Models	Mandating Dissatisfaction
Leading Company (Duluth Products)	X		X	X
Middle Company (Scranton Steel)	X	X	X	X
Lagging Company (US Financial)	X	X		

- First, no single intervention alone is sufficient to diffuse dissatisfaction properly.
- Second, pointing to individual behaviors early in the change process is not necessarily associated with success. Successful transformations aim to change the organizational context in which individual behaviors occur rather than the behaviors themselves. Individual behavioral changes result from contextual interventions, not from direct assaults on those behaviors.
- Third, consistent with much previous literature on organizational change, models can show both where the organization is headed and how great a gap exists between the reality and the goal. The use of models seems to be a key element in diffusion strategies.
- Fourth, some sort of forcing strategy also seems to be a key element, although, as noted earlier, some forcing strategies are more effective than others.

It is commonplace to see dissatisfied leaders who attempt to impose change on organizational members who are not ready—and yet this pattern is inevitably disastrous. Of our six case studies, five started with a dissatisfied leader who imposed change programs. In each instance, little real change occurred. We need to add a new step to our understanding of how change unfolds: the leader with a "felt need" for change must diffuse dissatisfaction before lasting change can occur. ■

References

All company and individual names from our study have been disguised.

1
Z.E. Barnes, "Change in the Bell System," *Academy of Management Executive* 1 (February 1987): 43.

2
R. Mazzolini, "Strategy: A Bureaucratic and Political Process" in *Competitive Strategic Management*, ed. R.B. Lamb (Englewood Cliffs, NJ: Prentice-Hall, 1984).

3
B.M. Shaw, "The Escalation of Commitment to a Course of Action," *Academy of Management Review* 6 (1981): 577–587.

4
M. Beer, *Organization Change and Development: A Systems View* (New York: Scott, Foresman, 1980).

5
L.E. Greiner, "Patterns of Organization Change," *Harvard Business Review*, May-June 1967, p. 122.

6
W.L. French and C.H. Bell, Jr., *Organization Development*, 3rd ed. (Englewood Cliffs, NJ: Prentice-Hall, 1984), p. 216.

7
N. Tichy and D. Ulrich, "Revitalizing Organizations: The Leadership Role," in *Managing Organizational Transitions*, J.R. Kimberly and R.E. Quinn, eds. (Homewood, IL: Richard D. Irwin, 1984), p. 245.

8
This use of information sharing as opposed to information hoarding has been discussed in:
R.R. Blake et al., *Managing Intergroup Conflict in Industry* (Houston, TX: Gulf, 1964); and
R.E. Walton and R. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965).

9
As noted above, company names were disguised.

10
Unless otherwise noted, all quotes were collected as part of the field research.

11
See, for example:
J.M. Rosow, ed., *Teamwork: Joint Labor-Management Teams in America* (New York: Pergamon Press, 1986).

12
See, for example:
Beer (1980);
Tichy and Ulrich (1984); and
G. Barczak et al., "Managing Large-Scale Organizational Change," *Organizational Dynamics*, Autumn 1987, pp. 22–35.

Reproduced with permission of copyright owner. Further reproduction prohibited.