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Innovation Gone Awry: A Case of Public Sector Strategic Change

Raymond L. Forbes Jr.

ABSTRACT

Do big organizations actually learn from their colossal change mistakes and attempt to profit from them? This paper presents an original case study depicting a massive strategic organizational change effort gone astray. It both describes and analyzes the change from the reflective perspective of an insider.

Offering a non-traditional description of the various phases of the change process, this work showcases the “Going-Against-the Grain” nature of effort. It also discusses the Zeitgeist or situational context, the relevant history of the affected organization, and provides insights into the various parties impacted by the change. Additionally, this piece notes the limits of power, rationality and education as strategic change approaches and exposes some of the tactical methods employed to implement institutional change.

Brief discussions of risks, problems and barriers as well as a number of lessons learned are also provided. Principal conclusions relate to the difficulty of sustaining broad scale organizational change over time, obtaining multi-level support and the necessity to identify measures for success before the effort begins. Perhaps the most important change skill of all may be to know when to end the effort early to avoid significant sunk costs.

Keywords: Strategic change, innovation, organizations, change theory, organizational learning.

Introduction

Why is it that some organizations seem to digest and adapt to major changes with relative ease and aplomb and others with trepidation and angst? Of late much has been written about the planning and execution of large scale planned organizational change in a wide variety of institutions and settings. Correspondingly, much less emphasis has been placed on the often transitory nature of the changes and, in particular, their often negative unanticipated consequences. Decision researcher Gary Klein (2013) suggests a probable reason for this temporariness is, “When we’re on automatic pilot, and the connections and contradictions are obvious, we don’t give ourselves credit for noticing them.”

There does appear to be redeeming educational value in analyzing innovation efforts that don't necessarily meet all their intended outcome objectives. Glor (2014) makes a case for looking at innovations that are not fully applied, are incomplete, or don't necessarily succeed, stating: "There is much to be learned, however, from innovations that fail, but they are difficult to research. A clear distinction must be made between innovations that are not fully implemented or that fail and ones that are fully implemented and accomplish their objectives in determining the effect on organization survival."

Possibly referring to unintended adverse outcomes, eighteenth century English philosopher Edmund Burke, reportedly stated, "Those who don't know history are destined to repeat it." In the spirit of Burke, the purpose of this paper is to draw practical lessons from a major institutional strategic change effort. The intent is to provide the reader with an insider view, via case study, of a sweeping change initiative that delivered mixed outcomes in a very large organization. The case will explore the original rationale for the change, provide the perspective of key participants, note the change strategies employed, and describe various tactics used by the change agents. In addition, the case study will illustrate reactions to the change processes used, remark on the inadvertent consequences, observe the final result, and list some of the lessons learned.

Organizational Indigestion as a Process

Going-against-the-grain exemplifies an organizational transformational change effort gone catastrophically awry. Like attempting to eat too much rich food in too short a time the change effort induces the equivalent of organizational indigestion. The institutional discomfort is sometimes accompanied by a convulsive retching or gag reflex as the organization attempts to restore equilibrium by ridding itself of what appears to be a foreign invader.

Consulting strategist and author Geoffrey Moore (2005) writing about the application of biology to organizational innovation has proposed that: "Innovation and inertia are so deeply intertwined that both must be managed concurrently for any progress to occur." In biological terms, the change effort disturbs the organization's homeostatic balance eliciting counter forces that seek a return to stability. The change attempt seems to stimulate the organizational counterpart of antibodies in the human immune system. Also like the human body, it is hypothesized that an organizational system has the equivalent of a cultural built-in "set point" that it attempts to maintain against oppositional threats.

The set point is derived from deep-lying values and beliefs that form the basis of its ethos and that have been continually reinforced over time. These values and beliefs are often those originally held by the organization's founders and have been reinforced by significant survival-related events in the organization's history and embedded in its culture. These values and beliefs are typically highly resistant to change and are usually

collectively and unconsciously held by the organization's members. Therefore, the set point provides the implicit basis for member behaviors that support "how we do things around here."

Unleashing a Going-Against-the-Grain Change Effort

A very large department of the federal government was beset by a multitude of problems. The proud history of this public sector organization and its traditions were as old as the nation of which it was a part. With the passage of time its bureaucratic structure had grown large and cumbersome, its leadership was considered to be overly conservative and behind the times, it was criticized as being unresponsive to current social conditions, its operating procedures were antiquated, much of its useable technology outmoded, necessary equipment was wearing out and was ill-maintained, and its funding was being threatened by legislators for a lack of clear demonstrable results. Perhaps the most telling signs of discontent were explosive issues with its employees. Dramatically reported diversity incidents, growing levels of reported substance abuse, claims of mistreatment of younger employees, and departures of experienced and well trained individuals were draining its vitality and viability to carry out its purpose. Each week seemed to provide some new press-reported, human crises to deal with, distracting leadership from focusing on mission accomplishment.

Pressures mounted to do something fast before the situation became completely untenable. To demonstrate his resolve and bias for action, the chief executive officer of the overseeing branch decided to replace the department's CEO. The new department boss was deliberately chosen as someone who represented a radical departure from the current viewpoint but was also internally credible. This individual was much younger than the then current staff of senior department officials, had a reputation for getting things done, publicly expressed a more positive view of the future, was vocal in his opinions, and had the confidence of the branch CEO as a strategic change leader.

Once in office, the new CEO began a whole range of new initiatives designed not only to solve the department's problems but also to get at their root causes. He reorganized the department and replaced key subordinates with those sympathetic to his cause. He sponsored a series of open forums for people throughout the department not only for them to voice their issues but to also propose solutions. Research and development efforts were undertaken to identify and put into place a next generation of technology. Relationships with funding sources were improved.

A direct channel was established to communicate messages to the entire organization at one time. Sweeping new policies were issued related to racial, ethnic, and gender diversity, along with supportive organization-wide training programs, and holding managers and supervisors directly accountable for policy implementation and enforcement. Nit-picking regulations were dropped to make organizational life more acceptable to younger members. Aged equipment was taken out of service and a new emphasis placed on proper routine maintenance and upkeep. New investments in future

technologies were begun. A scientific approach to combating substance abuse was approved and funded.

The CEO also recognized that his tenure as the appointed head of a governmental department was bound to be limited as his superior was a publicly elected official. Understanding that long-standing organizations have a great deal of inertia to overcome, he adopted an overall breadth and depth cultural change strategy that was to be rapidly implemented. He likened his cumbersome department to a sixteen-wheel tractor-trailer truck roaring down a four-lane highway at night with the driver blithely unaware that the steering wheel was not connected to the drive train. He wanted to be an aware strategic change leader who could positively drive organizational outcomes despite a potentially short stay in the top office.

The Chief Executive's idea on how to make a difference was to target the change effort at system leverage points within the department. These were critical areas, promising exponential results, where a significant amount of output would ensue from a small amount of input. Notable examples were: the design of the performance appraisal system, control of internal communications channels, investments in research and development, and management of the project funding process.

He also recognized that inertia could work in his favor if he could get his behemoth of a department moving during his period of leadership. In a sort of organizational judo, he attempted use the entrenched resistance as a change lever to serve his own purposes. He believed that once the organization was in motion on its new course, and invested with significant resources, it would then be difficult for any successor to change its direction and velocity. Like altering the course of a supertanker, he reasoned that any additional new alteration in direction would necessitate a considerable expenditure of thought, time, effort, and energy.

The Gag Reflex Appears

The extensive changes initiated by the CEO had also alienated powerful members of senior and middle leadership who had a vested interest in the old ways of doing business. In these members life experience, major organizational change was primarily evolutionary and not revolutionary. Managers had earned their organizational positions by slowly climbing the organizational ladder step-by-step and patiently waiting their turn to get to the top positions. The CEO's new developments threatened their traditional sources of power, status, perquisites, and authority. Harvard professor and change theorist John Kotter (2002) has noted that: "The 'boss barrier' is typically handled in one of three ways. We ignore the issue, we send the obstacle to a short training course, or (rarely) we try to fire, demote or transfer the person."

The unhappy members found ways to drag their feet on implementing the new initiatives, they pled ignorance of the intent, employed subtle misinterpretations, and, in some cases, deliberately chose to ignore or disregard them. The CEO directly confronted

a number of his more vocal immediate subordinates. He exercised his positional power to clarify his intent and to indicate the consequences of non-compliance. Some of the more recalcitrant subordinates were removed from their positions of authority, some were relegated to the equivalent of organizational Siberian gulag and yet others were encouraged to retire. Most opponents, recognizing that their jobs were at stake, chose to bide their time, and give outward tacit approval of the new direction. These oppositional leaders took their personal views underground sharing their perspective only with trusted others. These individuals chose to employ the classic strategy of the disaffected public bureaucrat and wait for the CEO's successor to come into office.

The CEO also made direct appeals to the rank and file members for support via bypassing intermediate organizational levels. In the main, he was successful with this approach. This group of mostly newer and younger organizational members saw him as their advocate and champion against an unfair system and their entrenched old-line supervisors. He also went outside the department and solicited the advice of professional consultants on dealing with the various external and internal problems. In addition, the CEO employed available internal and external media to provide persuasive informational statements describing his purpose and intent. He also created new organization-wide educational programs in an attempt to modify the values and beliefs of the department.

The Failure of Rationality, Power and Education

Some of the changes backfired. The substance abuse initiative was recommended by a group of social science trained external consultants many of whom were full-time research academics. With remarkable naiveté about organizational culture, the consultants proposed using objective information alone to change the behavior of existing or potential abusers. Videotapes, featuring medical and other experts, describing the consequences of using various types of unauthorized substances were produced. A select cadre of internal substance abuse education specialists was trained as program facilitators. Attendance at a video-based informational program was required of every organizational member. The program became the cornerstone of a department-wide ambitious attempt to reduce or eliminate the perceived substance abuse problem.

The strategic assumption underlying the massive expenditure of resources on the informational program was that people were presumed to be essentially rational and logical beings. Therefore, if given objective information on the negative physical and social effects of illicit drugs, department members would obviously act in their own best interests and not use them. Pre-program departmental measures of the incidence of substance abuse had been collected and carefully compared with the post-program measurements.

The results indicated that the program had not positively altered the use of abusive substances. In fact, as a result of all the information presented in the program, drug users found new sources and combinations they had not even previously considered. Consequently, based on the statistical results data, the department abandoned its

expensive program, disbanded its cadre of internal drug specialists, and returned to the more traditional punitive methods of controlling use such as random drug testing, employment of drug-sniffing dogs, unannounced inspection of personal lockers, forced rehabilitation programs, and harsher penalties for users.

Perhaps the most ambitious of the CEO's change approaches involved attempting to alter the culture of the organization through an educational strategy. Early in his tenure the CEO had solicited volunteers from within the organization to become members of a one-year research, assessment, and recommendation group to tackle the increasing onerous and public "people" problems of the department. Over 1,200 members had responded to the solicitation and 24 were finally selected for the one-year duration research group. Group members were especially chosen to mirror the diversity, degree of experience, organizational levels, and principal functions within the department.

After undergoing a brief period of team building and leadership training, the group established its own non-seniority based internal structure, defined its mission within the broad charter established by the CEO, and set out to work. Part of the group focused on developing clearer information on the human problems and their causes, another part of the group began researching potential solutions whether from inside the organization or from without, and the remaining part of the group worked toward connecting and integrating the problems with realistic solutions. Within a few months the group had created several possible solution options. Over the balance of the project period, the group proceeded to refine and pilot test them for feasibility.

Exploring a Risky New Path

Following a year's worth of intensive work, the project group proposed to the CEO a recommended best solution. The solution suggested creating a process aimed at altering the organization's culture by engaging its members in educationally-oriented change it was recognized that this approach would take time but it was believed that by involving members in their own data collection, analysis, and action-taking they would be much more likely to accept and act on the results. The intent was to incorporate the culture changes into the basic fabric of the department. Priority was to be given to first involving those units with the most impact on the department's operational mission.

Internal consulting centers staffed by trained organizational change agents would be available to the various units of the department. Members of the project group would develop the change-agent training program and act as the initial core of the consulting centers. A structured data-driven process employing a tailored organizational climate survey was the principal vehicle of change. The survey was confidential, taken by all unit members, computer analyzed, and the summarized results fed back to those who generated them by the internal consultants. Survey questions addressed the primary issues confronting the whole department as well as questions aimed at unit specific problems. After multiple units had taken the survey a massive data-base was created and various comparative statistical norms were developed to aid in interpreting the results.

The consultants assisted the unit's members in interpretation and problem identification. A representative cross-organizational level team from the target unit, with the assistance of the consultants, over a five-day period, engaged in leadership training, problem solving and action planning for the most critical issues emerging from the survey's results. Six months after the problem solving and action planning effort the consultants re-contacted the unit to assess progress and to offer additional assistance. Eventually, a semi-autonomous research group was contracted to assess the correlations between survey results and the established measures of departmental effectiveness.

The Final Result

After several more tumultuous years in office, the CEO retired. The problems that had seemed so intractable at the outset of his tenure had greatly subsided, having been replaced as priority considerations by the requirement to plan for large mandated funding reductions greatly affecting staffing and mission functions. At the time of the CEO's departure, many of the department's direct service units had gone through the survey-oriented change process several times.

Anecdotal results were generally positive and the research group's correlation studies provided mixed results, some supporting the efficacy of the change efforts and others not. The incoming CEO was only lukewarm in his support for the strategic change effort initiated by his predecessor. Having little personal ownership in the change and reacting to pressure from above, the new CEO's attention moved toward attempting to resolve highly visible and pressing fiscal and resource acquisition issues.

After about four more years, the change effort was effectively dismantled by being slowly starved of resources and diminished in importance through a lack of senior-level attention and support. The designated internal change agents were reabsorbed back into the larger system or took positions elsewhere. The initially well-intentioned strategic change became a hidden casualty of the funding cutbacks. Rather than achieving a single dramatic ending the program effectively died a death from a thousand small bureaucratic cuts meted out over time.

Looking Back Reflectively

In retrospect, while seeming smart at the time, this positively intended large-scale organizational change morphed into an ill-executed effort. The strategic endeavor attempted to introduce highly disruptive system-wide change. Metaphorically it constituted mile-wide and mile-deep alterations in the very fabric of a historically well-established and highly-regarded institution. As it happened, the change wound up challenging the organization's core values, divided members into competing parties, and imperiled time-honored institutional ways of operating.

In many respects the overall change effort employed three types of general strategies for effecting systems change. Organizational change theorists Robert Chin and Kenneth Benne (1976) first reported this trio of strategies as being associated with the use of logic (rational-empirical), culture change (normative-re-educative, and force (power-coercive). The entire breadth of the system was affected by the intensity of the effort and shaken by the gravity of the attempted changes. Organizational structures, systems, roles, and responsibilities were profoundly disturbed.

As the strategic change effort proceeded leaders became distracted from managing every-day operational issues and focused their time and energy almost exclusively on creating and supporting longer-range change. International management theorists and practitioners Fons Trompenaars and Charles Hampden-Turner (2010) proposed that:” Innovation happens on the margins of any system where it interacts with other systems and, if leaders are not participative, there is no reason to suppose that they will hear of those developments or seize the opportunities provided. Attitudes for and against the change became crystallized and hardened. Members were polarized by being forced to choose between competing visions of the future.

At times, the well-intended organizational change effort seemed to take on something of the look of a notorious jury trial. There were arguments and counter arguments, moments of drama and boredom, presentation of facts and assumptions, educated advocates for and against, as well as wanted and unwanted media involvement. Although the final verdict was still in doubt, the advocates and opponents of the change attempted to sway the opinion of a majority of jurors to side with their perspective.

As in many strategic change efforts this one was initiated and motivated by a charismatic change leader at the very top of the organization. The effort was driven top-down by first painting a clear verbal picture of the organization as perched on a “burning platform.” This involved using data to project current trends, measures and effectiveness indicators into the future. The forecast showed a highly probable likelihood that the organization would experience major pain if no beneficial change occurred.

Like many a newly appointed leader struggling to exercise some control, the case CEO responded to the ambiguity and discontent he faced by initially reorganizing. This classic approach has been favored by leaders confronting difficult situations throughout history as a means of asserting authority over chaotic organizational situations. For example, Roman courtier Gaius Petronius Arbiter in the time of Emperor Nero, reputedly stated, “We trained hard-but it seemed that every time we were beginning to form up into teams we reorganized. I was later to learn later in life that we tend to meet any new situation by reorganizing, and what a wonderful method it can be for creating the illusion of progress while actually producing confusion, inefficiency, and demoralization.”

Change theorists and practitioners Richard Beckhard and Wendy Prichard (1992) suggest that vision-driven change requires having a good overall picture of the organization, gaining managerial commitment to the picture, using the picture to develop common goals and understanding the set of key relationships involved. The CEO’s

envisioned future scenario also described in some detail the highly negative impact on the organization's ability to carry out its mission should the current situation continue. The presentation galvanized the organization. Vocal supporters emerged, as well as detractors and skeptics. Significant resistance to the change was mounted both formally and informally by powerful and entrenched internal stakeholder groups threatened by alterations in the status quo.

The pro and con change groups employed an array of powerful tools and tactics available to support their causes. Seminal social psychologist Kurt Lewin (1939) outlined a technique called force-field analysis to array the set of environmental forces supporting and resisting a planned change effort. Initially forces driving the strategic change effort were offset by those opposing it. Ultimately, over time, the field of driving and resisting forces became unbalanced in favor of pro-change forces.

The forces for change were able to marshal in their favor: formal position power, control of internal communications media, supportive alterations in the organizational reward system, the ability to make policy, the bully pulpit to make appeals to survival, and the capacity to paint a powerful new picture of the future as vehicles to make their case. The opposition forces fought a delaying action and used a plausible, and usually more conservative, competing vision of the future, enlistment of the outside media, appeals to tradition, covert communications, bureaucratic delays, withholding of discretionary effort, departures of key assets, and claims of unwarranted unilateral assumption of authority as the means to restrain the change effort.

Lessons Learned

Author and organizational innovator C. Willard Pollard (2002) has suggested a set of rules of thumb to follow for successful innovation which includes: early testing and piloting, allowing room for mistakes, a supportive organizational structure, and engaged leadership. Based upon a detailed analysis of the case the following constitute some important lessons that were learned:

- If your change effort goes against the organizational grain, expect considerable internal resistance and longer implementation times.
- Just because a change appears to be the right thing to do doesn't necessarily mean it is actually going to happen of its own accord.
- Driving change from the top without the acceptance of the implementers generates counter forces from the middle and bottom of the organization.
- Establishing a climate of trust provides powerful support to any culture change initiative.

- A powerful vision, by itself, is not enough to bring about successful strategic change.
- Resistance to change is a natural phenomenon that occurs when organizational members are asked to move in directions where the outcome is uncertain and the consequences for them are risky.
- Organizational change inertia is real and can be used in both positive and negative ways.
- Most of the basic strategies for changing organizations are not mutually exclusive; often they can be effectively used in combination.

Additionally, a significant major lesson learned echoes that of management authors writing about the “Dark Side of Management.” This is managerial behavior considered as negative that produces potentially damaging impact on organizational members, the organization itself and the workplace as a whole. Bradley Alge, Erica Anthony, Jackie Rees & Karthik Kannan (2010) note, “as organizations attempt to control employees, employees become self-aware and ruminate over the perceived threat to their identity-one’s self concept. This threat manifests itself most prominently in a loss of personal control. Employees will be motivated to restore control.” Push elicits counter push.

Conclusions

There certainly are dangers and limits from excessive generalization from a single case. From the author’s significant experience with large scale change in big organizations the lessons learned seem both reasonable and applicable to a wide variety of institutions. With experience also comes bias so readers are cautioned to consider this case study as primarily a warning tale. No one strategic change approach is likely to be effective for all organizations across the board. It is probably best to reflect on your own specific situation, take what’s useful here and disregard the rest.

The assumption that top management knows the answers to the pursuit of successful innovative change is clearly up for challenge. Getting lower-level “buy-in” appears to be critical to obtaining a successful outcome. International innovation theorists and practitioners Frans Trompenaars and Charles Hampden-Turner (2010) state it this way, “The idea that top-management already knows the answers is patently false. If you are innovating, you *cannot* know the answers because no one has done this before and the answer as to whether customers want this or not has never yet been posed. In such circumstances it reasonable to infer that leaders know the questions and the challenges the organization faces but they do *not* know the answers as yet, although the aim to find out.”

According to author Art Kleiner (1996), based on a lifetime's work in the field of organizational change, eminent social psychologist Kurt Lewin asserted that the most fundamental change premise is that in order to fully understand an organizational system you must first attempt to change it. Far-reaching radical or innovative change is molecular in that it usually attempts to alter the basic cellular structure of institutions.

Change can be viewed as either threatening or freeing depending on your perspective. Mostly it is the perception of current or foreseeable pain, and to a lesser extent achievable opportunity, that drive the need for large-scale organizational change. Strategic change may also promise a new state of being that does not always include maintaining the benefits of the current way. Nor does instituting broad and deep change imply a thoughtful analysis of what new problems and issues it might create. Unintended consequences are often rampant and hurtful.

Of all the approaches to strategic change, oceanic change or large-scale strategic change, is perhaps the most challenging and risky, but also the approach with the highest long term potential payoff. Mile-wide and mile-deep strategic change efforts are very difficult for the change leader to sustain over time as external conditions alter and may outlive his or her tenure in office. The very best of these efforts contain provisions for their own assessment and continual adaption to ever-changing circumstances. Noted strategic thinker and organizational strategist Gary Hamel (2012) avers: "Today, our institutions are up against new challenges: a rapidly accelerating pace of change, hyper-competition, the commoditization of knowledge, and ever escalating demands for social accountability."

In the movie western *The Gambler* the card-playing protagonist offers advice about what is best to do when confronted by a risky, difficult and uncertain change situation while surrounded by hostile forces. Using the game of Poker as a metaphor, the gambler advocates the most effective thing is to: "know when to hold'em, know when to fold'em, know when to walk away, and know when to run." In short, there currently appears to be no readily available universal panacea for successfully treating the ills of innovative organizational change gone awry.

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