The Role of Leadership in Successful Change Management

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Abstract

With the passage of time, significance of change management in the eyes of both academics and practitioners has increased to a great extent. Globalization, increase in competition and scientific innovations have forced organizations to develop an ability to change. In the current era change has become important for organizations in order to compete, grow or even survive. Mergers, acquisitions and joint ventures are the major change initiatives which companies normally take. However, most researchers suggest that rate of successful mergers or acquisitions are very low. In this context, we have investigated whether an effective change management can make mergers more successful. The contribution of this paper is to summarize the role of leadership and effective communication in a successful management process. In addition, the research introduces a novel model for organizational change which provides guidelines for an effective and successful merger process.

1. Introduction

Change management is the process of renewing organization’s direction, structure and capabilities on regular basis in order to serve the ever-changing needs of customers (Moran and Brightman, 2001). This is the reason why, in today’s time of globalization and highly competitive market, it has become essential for organizations to evaluate the need for change on regular basis.
The general aim of change process within an organization is to improve performance and adapt to the environment (Leana and Barry, 2000). Martin Charns (2000) suggests that it is an essential need of every organization to change, not only to survive, but also to grow and compete in the world of intense competition and constant scientific innovations. In this context change is a complex task and is more likely to fail if not managed properly. Kotter (1996) argues that most of the major change initiatives are unsuccessful. It could be because "change causes uncertainty" (Brown & Starkey, 2000), which results in resistance to change (Doppler & Lauterburg, 2000). Furthermore, resistance to change is the major reason of change initiatives being unsuccessful. Many academics and practitioners such as Kulvisaechana, 2001; Kotter, 1996; Ash 2009; among others suggest that tool of effective communication can minimize the resistance to change for successful implementation of organizational change.

Mergers, acquisitions (M&A) and joint ventures are the major change events which organizations normally undergo to compete, grow or even survive. Cartwright and Cooper (1996) are of the opinion that mergers, acquisitions and other change events have been a successful operational strategy of different organizations for many years. However, as noticed by Weber & Camerer, (2003) most studies conducted to evaluate the performance of mergers and acquisitions (M&A), stated that the rate of successful M&A is very low. Motivation of the study came from the fact that even the rate of failure of change events is very high, very few studies provide conclusive reasons for these failures. Moreover, not many serious attempts had been made to investigate the role of 'effective change management' for successful mergers and acquisitions. In the light of the above discussion it is evident that this area
lack with an effective tool to manage change process successfully. This research investigates the likely causes of the absence of such lacking and the role of agents and leadership in an effective change management process. In addition, this research will deliver a model which could assist in meeting a successful change process. Rest of this work has been organized as follows. In section 2, related work is presented followed by an explanation of the proposed model in section 3 and conclusions and future work is given in section 4.

2. Related Work

The potential beneficiaries of the study include the organizations willing to undergo change process either to survive or grow. The research would offer an in-depth understanding of the effective change management process for successful change events like mergers, acquisitions or joint ventures. Multinational companies can also have an insight on how to overcome cultural incompatibility issues.

Globalization, better communication and faster travelling have helped organizations to learn and adapt new practices and techniques. When organizations learn new things, adapt new things or start practicing new things, they are undergoing the process of change. Organizational change takes many forms and comes from many directions (Sadler, 1995). Similarly, Dunphy (1996) suggest that “in the field of organizational change, there is no agreed theory of change and there is unlikely to be one”. According to Grundy (1994), organizational change is the reshaping of strategy, structure and culture of an organization over time. Moreover, change occurs when organizations improve existing practices and ways of doing things. Furthermore, Ackerman (1997) argues that organizational change occurs when management corrects existing
aspects and situation of an organisation and focus on the improvement of existing practices and performance.

In this era of globalization and extensive comparative environment, managements need to consistently adjust strategies in response to demands of the external forces. External forces for change include legislation, new technologies, political reasons and market forces (Kulvisaechana, 2001). Bracken (2004) argues that workers have to go through transition to change, and to adapt the new situation it presents. Griffin (2006) argues that successful transformational change relies on transformational leaders who set personal examples and encourage people to think 'outside the box' and motivate them to be innovated. Similarly, Eveleens (2010) suggest that it is important for organisations to be innovative and learn to manage innovations. For example, Apple has achieved great success through effective innovation management.

Conner (1998) argues that resistance to change is a natural reaction of employees to anything that either opposes their status quo or challenges their authority. Employees are less likely to accept the change and leave their old set of practices, especially when they are not sure what the aim of the whole operation is and who will be getting benefit from the change (Doppler and Lauterburg, 2000). Resistance to change not only affects the change initiatives by delaying, obstructing or hindering but also increases the cost of the change projects (Ansoff, 1990). Moreover, it is important for leaders of change to anticipate possible reactions and resistance to change initiatives, and to be prepared with strategies for handling such resistance. Suggested reasons for resistance include: threat to status, uncertainty, loss of control, shock of the new, inconvenience, and competence fears (Daniels, 2011). Maltz (2008) argues that the fundamental reason of resistance to change is people’s fear of loss.
Pettigrew (1975) argues that the implication of the power issue is the need to shape the political dynamics of change so that power centres develop, that supports the change rather than resist it. According to Mourier and Smith (2001), senior managers and middle managers are the power sources, and they must be aligned and work together to reduce the resistance to change.

Effective communication can play an important role in reducing resistance to change. In addition, planning, strategy building, creating frame works and other managerial issues can be tackled more effectively with better communication. Duncan and Moriarty (1998) argue that communication is the most significant tool in social life and business management. It also plays an essential role to collaborate all human activities that link people together to form a better relationship. Consistent communication through appropriate medium is required to eliminate the fears of people regarding change.

During change projects, leadership can also play an important role to motivate people and reduce fear if there is any. Fairholm (1999) argues that leadership is a combination of two missions; first mission is to create a balanced team and second is to ensure that people understand and work towards the same vision. Ability to guide vision is the fundamental characteristic of leadership required to implement change. During change (mergers, acquisitions or joint ventures) situation, people have reasons to feel unsecure. People are anxious about their futures and uncertain about their new possible roles in an organization. This means that the leader has to take extra measures to create psychological safety of their people.

3. Model Components for Successful Change Management

We have proposed a novel model to achieve a successful change management as shown in figure. 2. This model highlights the key findings of the research and
explains the important components for successful change management. Moreover, it gives an overview of organizational change management and provides guideline to manage the complexity of organizational transformation.

It is important to mention that the proposed model not only collate existing principles but also introduce measures that are beneficial in aiding practical implementation of change processes. An organization’s success is based on its ability to change and keep up to date. In a fast changing market and competitive environment, change has become a continuous process and when change is required, organizations and leaders should be prepared enough to implement change as quickly as possible. The first characteristic of successful change management is to gain an alignment between the key issues the organization must solve, the people who are affected and who have a stake in success, and the resources of time, money and power to make things happen (Cannon and McGee, 2008).

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<th>Vision and Clear Goals</th>
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<tr>
<td>• Define mission and objectives</td>
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<td>• Explain valued outcomes and possible gains</td>
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<th>Motivate the Change</th>
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<tr>
<td>• Establish the need and importance for change.</td>
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<td>• Reduce elements of fear and overcome</td>
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<td>resistance to change</td>
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<td><strong>Lead the Change</strong></td>
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<td>• Appoint team of integration managers to lead and facilitate change.</td>
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<td>• Provide adequate training; so leaders can make strategic decisions and resolve conflicts.</td>
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<td><strong>Smart Communication</strong></td>
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<td>• Provide people with timely and honest information.</td>
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<td>• Communicate at all levels and at every stage of change process.</td>
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<td><strong>Paying Attention to People</strong></td>
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<td>• Identify and influence key stakeholders.</td>
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<td>• Gain people's support through visionary leadership and effective communication.</td>
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<tr>
<td><strong>Paying Attention to Culture</strong></td>
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<td>• Prior to change projects, address cultural related issues.</td>
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<td>• Change organizational culture before changing</td>
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Several theoretical perspectives highlights the fact that main reason for failure of mergers, acquisitions and other change events is employee’s resistance and cultural differences. Cartwright & Cooper, (1993) argue that the
cost of cultural incompatibility can be as high as 30% of the performance of the acquired organisation. Therefore it is almost impossible to gain maximum out of the change initiatives without addressing cultural related issues.

The people can neither be forced to change or think differently nor can be compelled to learn and adapt new skills (Fullan & Miles, 1993). However, people can be convinced to change by motivation and effective communication. Thus, effective communication of new ideas/options is an essential component of the change process (McCalman & Paton, 2000). On the other hand, poor communication and lack of information causes uncertainty which can be destructive for any planned organizational change (Larkin & Larkin, 2004). Therefore, success of organizational change depends heavily on the effective use of communication.

Change management is mainly about people management and the key ingredient for successful change is the human element (McCalman & Paton, 2000). In addition, most change models and theories available emphasise on establishing the need for change among people. Once the need and importance of change is established, people become part of change instead of resisting change.

Finally, the broad literature review in the previous sections demonstrates that the role of leaders of change and HR managers is significant during change process. Leaders should be able to provide directions, motivate people and reduce fear if there is any. Similarly, Janik (2004) argues that it is the leaders who lead and guide their organizations through the difficult process of mergers and acquisitions. Shaw and Walton (1995) rightly predicted that the role of HR department will increase and core competency for business leaders and HR managers in the future will be change management. Today, International Human Resource Management (IHRM) has gained great importance for multinational
companies (MNCs) as it is believed to be an important mechanism for coordination and control of international operations and cross-border mergers.

4. Conclusions and Future Work

The contribution of this paper is to present a novel model for Successful Change Management. Our research has concluded that the cultural compatibility, people’s involvement and active role of HR managers hold the key for successful organizational change. In addition, without visionary leadership and effective communication smooth change is less likely to happen. In future we intend to further extend the proposed model in the light of ongoing research. We are committed to share our future research findings with the existing research in this area.

References


