Risk Based Approach for Change Management

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Abstract

Most organisations strive for improvement and want to challenge the status quo and introduce change-large or small. Often the motivation comes from peer group firms. Research suggests that only 20% of the change management projects succeed. Often organisations introduce more than one initiative at a time. While the cause of failure of the change management projects differs from organisation to organisation but there is a common cause as well-organisations do not consider project risk management in case of change management. Based on field experience and taking examples from the literature, the authors present a risk-based approach for change management in this paper. As evidence, examples from field experience have been cited to strengthen the views presented. The process of risk management has been divided in different phases as per Deming's PDCA approach. In each phase the potential risks arise due to assumptions made, explicitly or implicitly, has been discussed and the mitigating steps that may be initiated has been suggested- instead of giving exact points rather the approach has been presented. Risk based approach for change management will force management to look at the risks at every stage and look for evidences to check the validity of the assumptions. It may take time to roll out a change management initiative, but definitely it will reduce the chances of failure and save the organization from cascading effects of failure. Evidence based management will compel the top management to look at the peer group and examine the cause and effect relationship of good cases and bad cases.

Keywords: Change Management, Evidenced Based Management, Risk Based Thinking, Six Sigma, PDCA, TPM

1. Introduction

'Only change is constant' is not only an axiom but statistically evidenced. Google Trend indicates that the appearance of search item, "Change Management" is almost stable from 2008 to 2017 whereas the initiatives for change management like TPM, Six Sigma, Quality Circle, all have drastic reduction. Similar is the case with Google Ngram. The word "Change Management" appeared in 1960s and then from 1979 it has an exponential growth in its use in books. The reasons for taking change management initiatives are several, but mainly as a response to the context of the organisation-internal or -external environment. Many a time change is also introduced merely as a part of contemporary management fashion irrespective of the need and suitability of the techniques. Change is also not constant in change management as well, there is a continuous flow of change management fashions and organisations do take couple of initiatives simultaneously without verifying the benefits of the first

initiatives (Luketa M, 2012). The author's experience in management consultancy suggests that there is no dearth of such cases in India. Some of the popular Fads are: Total Quality Management (TQM), which reached its peak in 1980s. Followed by TQM, in 1990s we got Business Process Re engineering (BPR) and in 2000s Six Sigma overtook BPR and since 2015 the biggest proponent of Six Sigma, GE and 3M has lost interest in it (Collins M, 2015). The Motorola, who 1st started Six Sigma no longer exists today and is replaced by 'Moto by Lenovo'. Research suggests that only about 20 percent change management projects succeed, (The Economist May, 10, 2001), as a result it creates frustration among the executives and employees and also lower the morale of the employees. In order to take preventive action so that the chances of failure are minimised once it is put on roll, this paper presents a risk-based approach for Change Management. The paper aims to give an outline as to how change management initiative

may be undertaken considering the risks involved so as to mitigate the risks and increase the chance of its success.

2. Methods

This is a conceptual article. Reflection on author's past experience in implementing change in several organisations have been used as methods.

3. Literature Survey

Being a conceptual article, findings from the literature survey has been incorporated in the discussion section as and when necessary reference has to make to support the arguments. This for better readability of the article also to put forard the logic under the perspective of exatnt literature.

4. Discussions

4.1 Risk Based Thinking (RBT)

In ISO 9001:2015 "risk-based thinking" refers to a coordinated set of activities and methods that organizations use to manage and control the many risks that affect their ability to achieve objectives. Risk-based thinking replaces what earlier version of the standard called preventive action" (Lozir T, 2016). In change management context, RBT intends to identify risks in all phases of change management process and demands mitigating these risks proactively.

Simply told RBT is nothing but anticipation of the potential mode of failure of a planned activity and taking risk mitigating steps. FMEA is an ideal tool for implementing RBT in any industry. In this paper a simple approach, but effective, is explained particularly for implementing the change initiative.

Risk arises out of assumptions and monitoring of risk is nothing but keeping an eye on the validity of the assumptions. Risk based thinking prompts us to validate the assumptions. This is explained further for each step of PDCA.

4.2 Change Management Process

To go for risk-based thinking for change management, the process of change management needs to be explained. And

for this Deming's PDCA (Plan, Do, Check and Act) may be adopted. Within this framework, points from Kotter's 'Eight Step to Transforming Your Organisation' (Kotter J. 1995) and other points which is based on author's long experience in deploying change management in several Indian organisations are fitted in. All the components of this framework are explained in the context of change management.

Plan: At this step the Goal of the change initiative must clearly be spelt out. The type of change initiative is to be selected. The deployment approach to be decided. The type of organization structure required to facilitate the process needs to be decided. Planning should also take care of review mechanism to be institutionalized.

Deploy: This is the execution of the planned deployment of the chosen initiative

Check: At this step, progress of the process of deployment is reviewed as per review plan and decides course correction, if needed.

Act: The actions to be taken up at this step depend on the review outcome- either it will be to go for establishing the Standard Operating Procedure or to go back to the Plan and revise it.

All these sounds good but do not work automatically. At every phase management assume many things granted which may be true or may not at any point of time.

4.3 Planning Phase

When a company takes a decision to go for change the assumption is 'time is now'. If in the existing system there are too many HR issues, too many daily management issues and cultural issues then one should take a pause and decide should they go ahead with the change. The author has seen several cases when initiatives have been taken at wrong time without addressing the burning issues that the people in the organisation are facing. Many a time organisation intends to change the culture through change initiative. Field experience suggests that a change initiative changes the culture over a long period of time. But if the existing culture is not conducive for change management then the initiative fails. It is also to be assessed whether the organisation is at "War time" or "Peace time". The approach in Wartime and the approach in Peace time is not same. Therefore, it is the first step in Risk Based Thinking at the Planning stage is to study the existing situation.

Top management sets the Goal and here the assumption is that the Goal has been fixed and everybody accepts it. But often the Goal is not clear even among the Top executives. The alibi is 'we have a top management workshop' for defining the goal. There are ample evidences that such meetings are not often a two-way communication - it becomes a mechanism of forming manufactured consensus. Often chairman starts with a leading question: "so, I think we should go for change and for it we should go for …". This is the seed of getting a manufactured consensus. One of the reason of Nokia's failure in Mobile business is the fear factor- "Middle managers' internally focused fear reduced their tendency to share negative information with top managers, leading top managers to develop an overly optimistic perception of their organization's technological capabilities and neglect the long-term investments in developing innovation". (Timo O. Vuori and Quy N. Huy, 2015).

A study conducted by James R. Detert and Amy C. Edmondson (Efron L, 2015) indicates that in spite of all formal feedback system in place half the employees in their study felt it was "not 'safe to speak up' or challenge traditional ways of doing things."

Similarly, Malcolm Gladwell pointed out in his insightful book, Outliers: The Story of Success (ibid), that having people in organizations who are afraid to challenge each other can be extremely detrimental and even deadly. He takes the example of unusually high air crash in Korean Airlines. Investigation indicates that while the junior pilots knew that the captain was committing potential deadly mistakes they preferred to keep mum for fear of breaking ranks.

While it is logical that some amount of assertiveness is required and an organization cannot be run only by consensus but effort must be taken to come to a consensus approach before taking a decision on change management and for that a culture of conflict and debate must exists in the organization. As a change facilitator in an academic institute the author has experienced that the change process was stalled for lack of consensus but after taking a firm stands things got moving and gradually the assertiveness was removed. It was a great success, and this could be attributed to the culture of openness in the organization. Steps taken after the initial rolling of the change process was decided by consensus. In another organization where the author has worked, had two units under the same chairman. The change initiative was initiated in both the organsations at the

same time. The initiative was successfully implemented in one organization but in another unit it did not work because of lack of alignment of the goal with the reality as the Gemba (work place) picture was hidden from the chairman because of fear. Here the question is-why the fear was present in one unit and not in the other unit. The point is, in the unit where the Unit Head took the risk to explain the chairman about the micro issues of the organization he could convince the Chairman to take the appropriate decision where as in the other unit, the Unit Head initially took the easy approach of saying "Yes" in everything and ultimately faced the wrath of the Chairman.

While choosing the approach the assumption is that the chosen approach or technique like Total Productive Maintenance (TPM), Six Sigma have given result in many organizations and it will work here too. First, it is to be ensured, what is the evidence that a particular approach or tool has resulted in better business results or some other factors are responsible for its success and it is knowingly or unknowingly attributed to the initiative. Many a time when top management decides to go for rolling an initiative then it becomes the job of everybody to attribute all good things that are happening in the organization to the new initiatives. There are several evidences of such cases. Many a time people attend conferences and observe highly powerful presentations claiming great success. It has to be kept in mind that in the conference generally people present some successful projects under the change initiatives. A successful completion of a project does not make the whole initiative a success.

4.4 Six Sigma, a Case in Point

One of the costliest change initiatives at the strategy level and also at the operational level is six sigma, which is by and large propelled by involving high profile consultants. Stock performance study undertaken by the S&P 500 found, "Six Sigma companies performed more poorly than competitors who didn't use Six Sigma; Home Depot down 8.3%, Honeywell down 7.2%, GE down 16%, among others." A study by Kenagy & Associates, found "Six Sigma Lean companies also performed worse than non-Six Sigma companies; GM down 40%, Daimler/Chrysler down 21%, Ford down 65% and Delphi down 81%." (Morris B, 2006). Survey conducted by Quality Digest in 2001 and 2002 and the DynCorp survey show that companies do not pursue six sigma after second or third

year (Dusharm D, 2018). Author's personal experience also suggests the same. The attrition is mainly due to lack of project after the low hanging fruits are plucked. Afterwards the six sigma projects become something like quality circle projects for which the return is less even if there is any return in terms of business performance. After the first phase of projects, the company should go for more investment-oriented projects, which does not have much business sense or the companies are reluctant to go for investment due to perceived risk. The Total Productive Maintenance (TPM), which is very popular in India due to hard selling by JIPM and CII. Globally, India has larger number of TPM Certified companies but whether Indian companies are globally recognized for their product and services is a matter of opinion.

The lesson is, an organization shall carry out a risk assessment with regard to Goal of the initiative and the initiative's effectiveness in bringing results. As failure of initiative creates loss of credibility of the management and cause loss of morale among all employees, which is much detrimental to the organization over long-term.

The next is – what are the potential risks of failure of the deployment approach? Here the assumption is that all the employees are aware of the Initiative and its goal and what is expected out of this initiative and they will cooperate. The common assumption is telling the executives in morning meeting or in any general meeting is enough and asking them to communicate their reporting staffs and employees will be sufficient. It is not at all the case. The company has to think over what communication channels they should use, whether they should launch formally. One very popular approach to start the announcement of TPM, is to kick a football by some high-profile consultant or chairman in a big meeting. It is assumed that it is good enough. It is also not so. There must be a well thought out approach and it is not one-time effort. The existing culture of communication among different hierarchical positions of the company plays a great role. If transparent communication culture is absent, then it is doubtful to what extent any communication regarding the initiative will be helpful in selling the concept. The author has seen a very successful case where in every month the plant head communicates business position and also the status of the initiatives with the employees in an open house meeting. Where he shares the good points and also the area of concerns. It is not uncommon that companies overdo on this. Often, they publish in monthly magazine all exaggerated results and even small THINGS projected

AS BIG ACHIEVEMNET. Such efforts are self-defeating. Identifying bottle necks before the role out is vital. Once the bottle necks are identified steps of overcoming the bottleneck may be taken up. Generally, implementation happens in phases. If at the start any bottleneck department, even if it is a very critical department, is selected then risk is more. As failure is contagious while success may not be. But initial success makes management confident. In an organization, TPM was started with such a department as this is the department which has the highest potential of giving high business results out of TPM. But the respective HOD was highly uncooperative. When the author joined the organissation he realized it within a few days. Instead of suggesting top management to leave the department for the time being he also agreed that being a critical department and high potential area the organization should continue to pursue this department. But it was a big failure. The best thing to ensure getting cooperation from majority of the people is to ask the question: "Whether the motivation to follow the new system is more than not to follow the system?" And the mitigating steps will be different from people to people, or, group to group as people are motivated for different reasons.

5. Conclusion

Risk based approach for change management will force management to look at the risks at every stage and look for evidences to check the validity of the assumptions. It may take time to roll out a change management initiative, but definitely it will reduce the chances of failure and save the organization from cascading effects of failure. Evidence based management will compel the top management to look at the peer group and examine the cause and effect relationship of good cases and bad cases.

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