Module: Change and Stability Management

Handout Six : Leading Change and Managing Change

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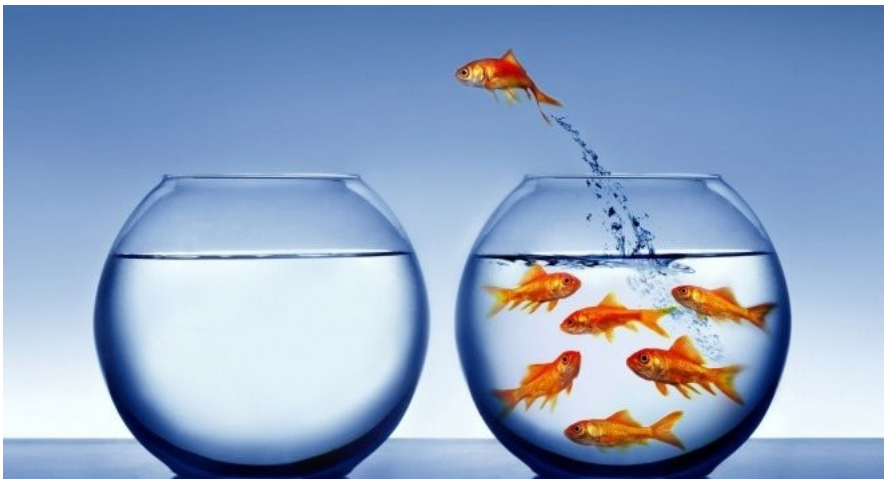
- Dr. Joe Leung has offered training and consulting services in corporate growth strategy, corporate changes, and ESG for projects in China and Hong Kong.
- As a Certified ESG Strategist, Dr. Leung won the "Director of the Year Awards" from the "Hong Kong Institute of Directors" in 2019, 2020, and 2022, respectively, demonstrating that his clients had achieved "corporate governance" in high-level performance. Dr. Leung also helps businesses create "Environmental, Social, and Governance (ESG)" sustainable development plans. In 2022, he helped his clients win the "Special Environment, Social, and Corporate Governance Awards" from the Institute of ESG and Benchmark, and in 2023, he helped his client win the "Grand Award of HKIE BSD Excellent Building Award 2023" to confirm the attainment of sustainability.
- Over the past 19 years, more than 9,800 managers, executives, and business owners have participated in Dr. Leung's executive/director training and UK MBA programs to enhance their strategic thinking and insight and seize opportunities in the highly competitive market environment.

Leading Change



Speed of change is the driving force. Leading change competently is the only answer. John Kotter

1. Four reasons for organization change resistance

Parochial self-interest

Some employees are more concerned about the consequences of change for themselves. They focus on their own interests instead on those of the organization.

Misunderstanding

This occurs due to communication problems and because incorrect or inadequate information is provided by the organization.

Low tolerance

Working in a certain way for years means security and stability. Employees find it hard to exchange this for the unknown.

Different assessments of the situation

During the change process two groups arise; employees who agree with the changes and are open to this and the group that does not agree with the change and who will not display flexible, cooperative behaviour.

Six change approaches dealing with resistance

Based on scientific research, John Kotter and Leonard Schlesinger describe Six Change Approaches to deal with organizational change resistance:

Education and Communication

Informing employees beforehand so that they will be involved in the change process will prevent that the information that is provided by the organization comes across as inaccurate. Good communication can be supported by training or other forms of education. Employees will have a better understanding of the purpose of the change process and they will be more inclined to be cooperative.

Participation and involvement

By increasing the involvement of employees or by giving them specific assignments, the resistance to the intended organizational change will be reduced. As a result, employees will be more loyal and they will focus on teamwork for which reason they will cooperate more closely from the different organization units so that the desired change can be implemented.

Facilitation and Support

Employees that experience adjustment problems during the change process will benefit from supportive management. It helps them deal with fears during a transition period for instance when they experience fear transfers, job loss or other forms of reorganization. By providing support or facilitating training and counselling, these fears can be largely removed.

Negotiation

When employees for example lose powers or tasks during the change process, it is important to keep them motivated. Offering (financial) incentives can move employees into a positive direction. The employee can be offered incentives to leave the company early, their contracts may be adjusted or another job or promotion is offered. These incentives are often offered to employees that have senior positions.

Co-optation and manipulation

When other tactics do not work or are too expensive, this method is used. It is an effective technique to co-opt with people who are resisting the change and who, through their leadership role, have a large influence on the rest of the employees. Through open communication they are kept under control. They are involved in a symbolic role during the change process and the decision-making process.

Explicit and implicit coercion

Coercion can be used when speed is essential or as a last resort. The necessity of the intended change is more important than the interests of the employees. It often involves dramatic consequences such as loss of jobs, dismissals, employee transfers or not promoting employees.

Source: John Kotter (1999). **John Kotter on what leaders really do**. Harvard Business Press.
John Kotter (2012). **Leading change**. Harvard Business Press.
John Kotter and Leonard Schlesinger (2008). **Choosing strategies for change**. Harvard Business Review, 86(7/8), 130.

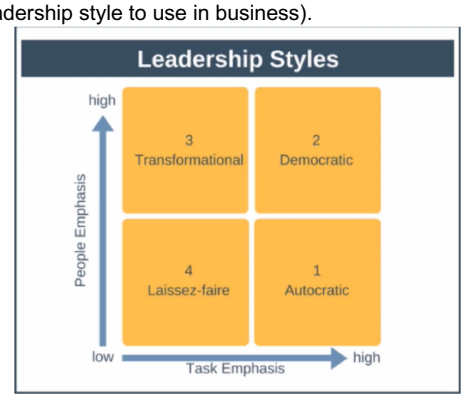
Question and Answer

2. Lewin's Leadership Styles in Organisational Change

In 1939, psychologist Kurt Lewin led a study that identified three core styles of leadership, and outlined the effect that each style had on team members. His research also showed that leaders get different results when they lead their teams in different ways. Although Lewin conducted this study many decades ago, his findings have influenced many of today's leadership theories and approaches, including transformational leadership (which, we believe, is often the most effective leadership style to use in business).

The three core leadership styles Lewin identified were:

- Authoritarian (autocratic) leadership
- Participative (democratic) leadership
- Delegative (laissez-faire) leadership



It's important to understand the advantages and disadvantages of each style, so that you can recognize your own natural leadership style, and adapt your approach to fit your situation. When you understand each style, you will also know what behaviors to avoid if you want to get the best from your people.

Authoritarian (Autocratic) Leadership
You lead in an authoritarian way when you make decisions without consulting your team members. You tell people what to do, and how to do it.

The benefit of authoritarian leadership is that it's very efficient: you can make quick decisions, and people don't have any say on what they do.

The downside is that an authoritarian work environment is often demoralizing and demotivating for people. You may also miss out on getting input from skilled, knowledgeable team members if you use this approach, which can severely limit innovation and performance in your team.

What's more, in many cultures, people quite understandably resent and resist authoritarian leadership. It can cause disengagement and unhappiness in your team, and even cause people to be aggressive or hostile; and it can lead to high absenteeism and increased staff turnover.

Authoritarian leadership is often appropriate when you need to make quick decisions during crises, but it's harmful in many modern working environments.

Participative (Democratic) Leadership
With participative leadership, you have the final say on decisions, but you involve team members in the decision-making process. This builds trust and good working relationships, and team members feel empowered and engaged with their work.
The downside of participative leadership is that it can slow the decision-making process, which can lead to missed opportunities. This can be particularly damaging in emergencies or crises.

Delegative (Laissez-Faire) Leadership
Delegative or laissez-faire leadership is very hands-off. When you use this style, you allow team members to set their own goals and deadlines, and you let them determine how to do their work.
Delegative leadership is most effective when team members are highly motivated and highly skilled, and when you can provide frequent feedback on performance and progress. It's also effective when you work with consultants.

The downside of delegative leadership is that it can lead to poor performance in teams where people have low skill levels, little motivation, or poor knowledge.

What Is Transformational Leadership?
Leadership expert James MacGregor Burns introduced the concept of transformational leadership in his 1978 book, "Leadership." He defined transformational leadership as a process where "leaders and their followers raise one another to higher levels of morality and motivation."

Bernard M. Bass later developed the concept of transformational leadership further. According to his 1985 book, "Leadership and Performance Beyond Expectations," this kind of leader displays the following characteristics.

Transformational Leadership Characteristics
- A transformational leader:
- Is a model of integrity and fairness.
- Sets clear goals.
- Has high expectations.
- Encourages others.
- Provides support and recognition.
- Stirs the emotions of people.
- Gets people to look beyond their self-interest.
- Inspires people to reach for the improbable.

How to Become a Transformational Leader
Transformational leaders take control of situations by conveying a clear vision of the group's goals. These leaders have a marked passion for the work and an ability to make the rest of the group feel recharged and energized.

Transformational leaders focus on helping members of the group support one another and provide them with the support, guidance, and inspiration they need to work hard, perform well, and stay loyal to the group. The primary goals of transformational leadership are to inspire growth, promote loyalty, and instill confidence in group members.

1. Creating an inspiring vision of the future.
2. Motivating people to buy into and deliver the vision.
3. Managing delivery of the vision.
4. Building ever-stronger, trust-based relationships with your people.

Source: Burn, J.M. (1978), Leadership, New York: Harper and Row.
Bass, B. M. (1985), Leadership and Performance Beyoud Expectation, New York: Free Press.

Question and Answer

What leading sustainable change entails

One of the most challenging functions and requirements of leaders in organizations

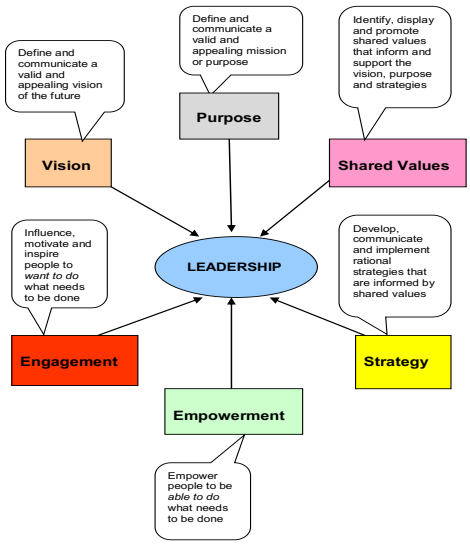
Entails showing the way and helping or inducing others to pursue it

3. Six Sore Themes and Practices in Leading Organizational Change

- Vision: Vision for change
- Purpose: Purpose of change
- Share Value: Values associated with change
- Strategy: Strategy for change
- Empowerment: Empowering people for change
- Engagement: Engaging people in change

Source: Julie Hodges and Roger Gill (2011), **Sustaining Change in Organizations**, SAGE Publications.

A Model of Six Core Themes and Practices of Effective Leadership in Change and Stability



Vision

A vision for change

- Effective leaders define and communicate a valid and appealing vision of the future
- Effective leadership is the key to making change effective and sustainable because it provides the vision and the rationale for change
- Useful visions for change have several common characteristics

Steps in developing a vision for sustainable change

1. Clarify the need for the change
2. Describe the future state and its benefits
3. Identify what the change will mean to the people involved and how their lives will change
4. Outline the path for transition between current and desired states
5. Assess and reinforce the power and relevance of the change vision

Purpose

The purpose for change

- Effective leaders define and communicate a valid and appealing purpose for change
- Purpose (or mission) together with a vision for change is the driving force for change
- A strong sense of shared purpose throughout the organization maximizes the likelihood of sustainable change
- Considering several questions is the basis for the steps to take in defining the purpose for change

Share values

Values underpinning sustainable organizational change

- Effective leaders identify, display, promote and reinforce shared values that inform and support the vision, purpose and strategies for change
- Values are principles or standards in intentions and behaviour that are considered to be important or beneficial
- Values are part of culture
- Change initiatives and core values must reflect and inform each other for sustainable change
- Such shared core values maximize the likelihood of sustainable organizational change

Question and Answer

Strategy

Strategy for change

- Without strategies, vision is a dream
- Effective leaders develop, communicate and implement rational strategies for change that are informed by shared values and serve the organization's vision and purpose
- Strategies are ways of pursuing the vision and purpose, identifying and exploiting opportunities, and anticipating and responding to threats
- Developing and implementing change strategies require consultation, commitment of those involved and effective communication

Empowering

Empowering people for change

- Effective leaders of change empower people to be *able to do* what needs to be done
- Successful and sustainable change depends on people empowered to achieve it
- Empowerment is giving people the knowledge, skills, self-confidence (self-efficacy), opportunity, freedom, authority and resources to manage themselves and be accountable for their performance
- Empowering people for change requires understanding the barriers to it and the facilitators of it that are involved and skilfully acting accordingly

Engagement

Engaging people in change

- Effective leaders engage people in the change effort by influencing, motivating and inspiring them to *want to do* what needs to be done
- Engaging people in a change effort is perhaps the most difficult part of leading organizational change but is also critical to its success and sustainability
- Engagement is intellectual, emotional and spiritual commitment to what one is doing, shown by discretionary attention and effort devoted to it
- Engagement of followers is the essence of what is known as transformational leadership
- Engagement encourages creativity, which can lead to innovation
- The many ways of influencing, motivating and inspiring people are both intrinsic, through, for example, meaningful work, and extrinsic, such as inspirational language

Dispersed leadership for change

- Change leaders exist at all levels throughout an organization
- Collective action in leading change is more likely to achieve successful and sustainable change

Question and Answer

4. Managing Change

Leading change and managing change are different but mutual processes: each is necessary, but neither is sufficient alone.

Julie Hodges and Roger Gill.

Resistance to change

Resistance to change: an emotional/behavioral response to real or imagined work change.

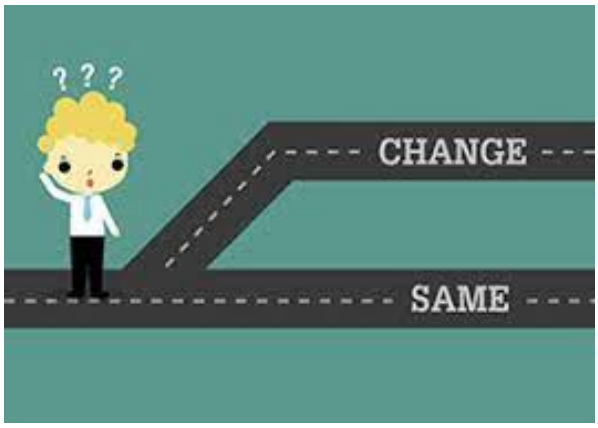
The leading reasons why people resist change are:

- An individual's predisposition toward change
- Surprise and fear of the unknown
- Climate of mistrust
- Fear of failure
- Loss of status and/or job security

Leading Reasons Why People Resist Change:

- Peer pressure
- Disruption of cultural traditions and/or group relationships
- Personality conflicts
- Lack of tact and/or poor timing
- Non-reinforcing reward systems

Question and Answer



Assessing an organization's readiness for change

- Why is readiness for change an important consideration?
- What survey questions resulted in the lowest readiness for change?
- Why did this occur?
- What can managers do to prepare an organization for change?

Strategies for overcoming resistance to change

Approach	Education + Communication	Participation + Involvement
Commonly Used in Situations	Where there is a lack of information or inaccurate information and analysis	Where the initiators do not have all the information they need to design the change and where others have considerable power to resist
Advantages	Once persuaded, people will often help with the implementation of the change	People who participate will be committed to implementing change, and any relevant information they have will be integrated into the change plan
Drawbacks	Can be very time consuming if lots of people are involved	Can be very time consuming if participators design an inappropriate change

Approach	Facilitation + Support	Negotiation + Agreement
Commonly Used in Situations	Where people are resisting because of adjustment problems	Where someone or some group will clearly lose out in a change and where that group has considerable power to resist
Advantages	No other approach works as well with adjustment problems	Sometimes it is a relatively easy way to avoid major resistance
Drawbacks	Can be time consuming, expensive, and still fail	Can be too expensive in many cases if alerts others to negotiate for compliance

Approach	Manipulation + Co-optation	Explicit + Implicit Coercion
Commonly Used in Situations	Where other tactics will not work or are too expensive	Where speed is essential and where the change initiators possess considerable power
Advantages	It can be a relatively quick and inexpensive solution to resistance problems	It is speedy and can overcome any kind of resistance
Drawbacks	Can lead to future problems if people feel manipulated	Can be risky if it leaves people mad at the initiators

Question and Answer

Leading change: Common errors in change initiatives

- Allowing too much complacency
- Failing to create a sufficiently powerful guiding coalition
- Underestimating the power of vision or under communicating the vision
- Permitting obstacles to obscure the new vision;
- Failing to create short-term wins or declaring victory too soon;
- Neglecting to anchor changes firmly in the corporate culture.
- The problem with failed change initiatives is not only wasted time and other resources, but, more importantly, the wasted good will of employees
- Failed change creates cynicism, and cynicism acts like a virus in an organization: it spreads rapidly and makes future change initiatives less likely to be embraced