

## Are you ready?

Michael Jarrett, Adjunct Professor in Organizational Behaviour at London Business School, looks at why it is that change programmes - programmes that seek to implement positive, lasting improvements within an organisation - so often lead to only havoc and confusion.

It is a truth universally acknowledged that change programmes often reap havoc and confusion, rather than the positive change they intend. Instead of people heading back into the workplace filled with enthusiasm and commitment, change programmes can lead to confusion and diminished motivation. Instead of "Yes, we can", they provoke the more quizzical "Why should we?" or the plain negative, "No we certainly cannot".

My research over the last decade has looked at why change initiatives so often fail and what it takes for them to succeed. One of the things that goes wrong with change programmes – repeatedly – is that organizations and leaders fail to reconcile or even understand their internal capabilities and the complexity of their external worlds. They either respond to a change in the external environment without thinking of the internal repercussions or attempt to force through changes that make sense internally but no longer fit the context.

It doesn't have to be this way.

Managers who achieve successful change do something different. They may not consciously know they are doing it, but they are doing it all the same. My research shows that the best predictor of the success or failure of organizational change is readiness for change.

Readiness for change applies at the philosophical level — being open to and prepared to embrace change; but it also applies at the practical level. Readiness applies to those organizations that have developed a set of core dynamic and internal capabilities that allow them to adapt when faced by external demands. It is the precursor to those organizations that gain strategic agility. Basically, successful change is a function of how well an organization's internal capabilities — its management capacity, culture, processes, resources and people — match the requirements of its external environment, the marketplace.

So if you want to succeed at introducing change, you need to understand that different situations demand different strategies of change. Simply put, you need to appreciate the change equation:

*internal capabilities + external environment + strategic leadership = a change strategy.*



Michael Jarrett, Adjunct  
Professor in Organizational  
Behaviour at London  
Business School

## Look inside and outside

Preparing an organisation internally is absolutely essential to the change equation. In addition, there are at least five external factors that also affect a change strategy. These may be outside of your direct control, but you can influence them. Essentially, these external dependencies change the rules of the game and the way companies create value. Often, when external factors threaten, the challenge is to change or die. There are a number of different types of external challenge.

They include the following:

### Failure to keep up with changes in disruptive technology

For example, Polaroid's failure to respond to the threat of digital photography led directly to the company's decline. Failing to keep pace with changes in your industry can take you by surprise and lead to competitive advantage suddenly disappearing. Look at how IBM lost its advantage in its traditional hardware market. Even so, it is a positive role model for what can be achieved through change — witness its reinvention over the last decade from hardware to consulting.

---

## Are you ready?

Continued/...

### Reliance or dependency on other organizations for crucial resources or assets

Think of outsourcing: you can find yourself locked into particular situations and expectations in which who owns what and who is responsible may be impossible to establish. This happens more regularly than you might think. A rail company with which I worked had previous and long-standing investments that meant that the infrastructure was slow to respond to new demands in transport. The company couldn't do what it wanted.

### Political and legislative demands can leave you out in the cold

Deregulation in the US airline industry led to established companies such as TWA failing to survive. The Sarbanes-Oxley Act of 2002 increased industry concentration among the major US accounting firms. The recent credit crunch meanwhile, has provided a veritable flotilla of political and legislative demands and interventions.

### Underestimating increasing competition from unexpected places

Many petrol stations now offer food, for example, and compete directly with small grocery shops. Microsoft developed the Xbox in part to stop Sony coming into its space through the back door of the online Sony PlayStation. Microsoft (with some \$60 billion in revenue) did the same in bidding for Yahoo against Google, a company that is considerably smaller (around \$20 billion) but one that continues to be perceived as a strategic threat.

### Environmental volatility, market and economic trends and other contingencies

I undertook a large consulting assignment for a Malaysian oil company at the end of 1995. The first two stages had gone well, and we were looking forward to the next phase that was to begin the following year. However, in just three weeks, between December 1995 and early 1996, the Malaysian ringgit spiralled downward, losing nearly 25 per cent of its value. Not surprisingly, the assignment came to an abrupt end. Some people argue that the environment is everything. Individual firms have little or no control over their fortunes, and it is industry or economic shock waves that finally determine those parts of the market that survive and those that die.

These are just five of the innumerable external factors that can directly influence a change strategy. While no company or its

leaders can alter, for example, the devaluation of a national currency, what's critical is for leaders to be aware of — and be ready to compensate for — such major external events. A ship that leaves port with no plan or provisions for a major storm is a doomed vessel.

Wise leaders plan appropriately for both internal and external factors that can influence a company's destiny. Perhaps the first and most important thing that leaders must attune themselves to is to disavow, once and for all, the myth that change is simple to understand and can be managed by logical, incremental steps. It cannot. But, that does not mean that being prepared for change is an impossible dream. Indeed, it is an operational necessity.

Michael Jarrett is an Adjunct Professor in Organizational Behaviour at London Business School and a founding partner of Ilyas Jarrett & Company, a research and management consultancy. His book, *Changeability*, is published by FT Prentice Hall.