Successful Organizational Change and True Performance Improvement

Are you adopting some new systems to keep up with the rapid pace of change in your industry? Perhaps new accounting software or other management information systems? Or how about a new performance appraisal system, maybe in conjunction with a new compensation system? Maybe you're looking at changing your organizational structure. These are all commendable efforts, and in many cases, you can even realize some improvement in your organization through their successful implementation. The real question to ask is, "what are we trying to fix with these changes?" Following are some examples to illustrate this point:

The Foremen Who Refused to Comply

In one company, management was entertaining thoughts of changing its management information system to get better information on the costs of its work in progress. The reasoning behind this change was that with changes in the information system, the resulting reports obviously would be better, resulting in better decisions, more profit and so on. Only the problem wasn't with the system per se. The foremen weren't adequately trained in providing the right information for input into the system, or they weren't held accountable for doing so. A new management information system with new forms, formats and software, wouldn't address the real causes in this situation.

The Out-of-Control Vice President

The vice president at this large company was a talented professional, very capable in dealing with tough customers and making sure that the company got paid for what it did. His confrontational style seemed suited for the market segment his group pursued. The problem was that he was a disruptive influence within his own company, constantly in the middle of drama, intrigue and conflict. Senior management reorganized the company several times—about once every 18 to 24 months over a period of ten years or so—to reduce his influence and negative impact. But he still drove people nuts and caused the company to spend more time focusing on internal problems than on the enemy outside the gates. Restructuring didn't really work. All it accomplished was to spread the aggravation throughout the organization. His boss finally had to confront the negative behaviors, issue an ultimatum and stick with the decision.

Lack of Communication among the Branches

Management wanted to implement more formal procedures governing communication and documentation among the branch locations of the company. Business opportunities were occasionally lost, or costs were incurred, that shouldn't have been. The thought was that a more formal, robust set of communication procedures would improve the situation. The problem, however, turned out to be a poor working relationship between one of the managers and the other managers. As a result of the deteriorated relationship, communication was virtually nonexistent a great deal of the time. All of the formal procedural changes in the world wouldn't make any difference unless the manager's boss was willing to deal with his behaviors and hold the manager accountable for behavioral changes.

The High Rate of Driver Turnover

A transportation company was experiencing annual turnover rates approaching 90% per year. The owner thought that recruiting practices needed changing, to allow the company to hire the "right" people. That didn't seem to work as well as anticipated. Management then decided to pay a little more to its employees. That helped a little, and for a while, but the problem persisted. One day, a relative of the owner was waiting in line at an amusement park, wearing the company's logo on his cap and shirt. A former employee saw the shirt and told the relative (not knowing he was a relative) about how he'd quit working there because the boss was so hard to work for. So it turns out that at least some of the turnover was caused by the boss's supervisory and interpersonal skill sets (or lack of them.) Changing other practices may have helped, but the boss was still the problem.

Poor Morale and the New Incentive Pay System

The professional services company was experiencing some turnover that caused management great concern. The morale was terrible. People would stop in the hallway, in earshot of clients, to verbally accost one another. And the language they used would have raised eyebrows in just about any environment, let alone a professional office. The problem had gone on for some time. Management's approach to keeping people was to put up with the bad behavior and acquiesce to demands for more pay every year to keep people. Finally, the owners decided to quit being victims.

Their answer was to institute a more formal pay-for-performance plan that would tie pay to specific performance objectives for each employee. This required employees to give up the guaranteed annual increase (which more or less matched what many competing employers were doing) and place a portion of their pay at risk. This type of pay system has worked in a variety of environments. What the owners here didn't take into account, however, was the effect of the unprofessional outbursts of the senior managers on everyone's morale. The new pay system helped with some employee morale and retention, but it did nothing to address the abusive pattern of interaction that the owners had tolerated for so many years.

Common Myths about Organizational Change

What do the above examples have in common? For one thing, the managers believed that the solution to a complex problem could be handled through a simple, one-dimensional approach. They ignored the need for a holistic approach to organizational change. Even a fairly small organization represents a complex web of interaction, systems and processes. When you make a change in one part of the organization or its systems, you often create the need for changes in other parts or areas.

Also, the highest level issues must be addressed. This means addressing the real cause of any perceived variance in performance. If you address the right issue at the appropriate level in your organization, you can effect change that improves the situation. In all of the previous cases, management tried to fix something other than the real cause of the problems. Even after elegant, well thought out changes, the underlying root cause still existed. It existed in most cases with management's full knowledge and awareness of it. It was the proverbial "elephant in the living room." Anyone with any knowledge of the situation recognized what the true cause of most of the problems was, but management chose not to make the tough choices.

Why Don't Managers Make the Tough Choices More Often?

Why indeed. In some cases, managers merely eschew confrontational discussions with problem employees. Their distaste for the confrontation outweighs their discomfort caused by the performance problems of the employee. In other cases, "money talks." The problem-causing employee is perceived to be either irreplaceable or so valuable in terms of their contribution to the bottom line that the organization can't do without them. The manager often falls prey to the need for stability in the organization, at the expense of the damages caused by the problem people he or she keeps on board.

Consequently some managers take an indirect approach to changing things. They put in new systems instead of dealing with problem behaviors. They do team building exercises or send their people to training, hoping to change their behaviors through cognitive understanding of the "right" way to do things or to act. This reminds me of the saying that, "if you mix horse manure with ice cream, it still tastes like horse manure, even if the ice cream was really good." Well, if you mix in new systems, training or processes with dysfunctional practices and behavior, what you most likely will get is a continuation of the dysfunctional behaviors within the new systems.

Life doesn't have to be this way. Some managers and organizations put up far too long with root causes of problems before the root causes are changed. When they finally address the issues, to their pleasant surprise, their organizations continue and thrive. As it turns out, the irreplaceable people really are replaceable, or in some cases, they are able to adopt new, more appropriate and functional behaviors that allow them to remain as key contributors. Their managers do them, the organization, and themselves a favor when they finally deal with the real problems.

Dom Cingoranelli CMC specializes in growth, strategy and performance issues, helping managers identify and effectively deal with the root causes of organizational performance problems.