A COMPARATIVE STUDY OF TWO ORGANISATIONAL CHANGE MODELS

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Abstract

This paper aims to study the comparative patterns of change suggested by Price Waterhouse (1995) in their book "A better change: Best practices for transforming your organization" and John Kotter (1996), in his book "Leading change". Price Waterhouse's and Kotter's change models are nearly identical in many aspects. In his book "Leading change", Kotter appears to have much of the same perspective as Price Waterhouse when it comes to culture, organizational change in general and vision. However, Price Waterhouse takes an approach that requires nearly every person to be on board with the organization's change program, whereas Kotter implies that the leader primarily focuses on stakeholders.

Keywords: Organizational change, culture, vision, consensus, stakeholders.
JEL Codes: M14, M21, M0, D23

1. INTRODUCTION

The Romanian Explanatory Dictionary defines a model as "a theoretic or material system through which can be studied indirectly the properties and transformations of another system, more complex, with which the first presents an analogy"[1].

Organizational change represents the action, the set of actions, a process through which it seeks a partial or a total transformation of an organization, enabling the transition from a current state to a future desired one, which differs quantitatively and/or qualitatively from the first [2]. According to Panaite Nica, "organizational change corresponds to a new orientation, fundamental and radical, on how the organization follows to conduct its business,

having essential implications on the behavior of all of the organization's members" [3].

Organizational change is undertaken to improve organizational performance, change that is achieved through a broad and complex process that involves the successive completion of a few stages. The specialists from Price Waterhouse and John Kotter described differently the way in which a change is materialized in an organization. Even if the number and the name of the presented stages to be followed, in a certain sequence, differ from one author to another, in essence, they aim to achieve the same goal: the establishment of a new state instead of the existing one.

2. PRICE WATERHOUSE MODEL

Price Waterhouse describes the nature and function of a better change in the book entitled "Better change: Best practices for transforming your organization"[4].

In modern organizations, change is seen as a constant presence, which is why the author presents *15 guiding principles* necessary to implement a successful change.

According to the model, if the processes are redesigned, the workplaces and procedures need to be changed too. Systems and technologies must be modified in order to keep up with the organization's and the costumer's needs. When this is done, it is crucial to train employees and to remove any barriers that are in the way of change [5]. Also, it is essential to ensure that the mandates for change are communicated in a specific language, being translated into real performance measures and adequate objectives. Without them, the cost of the change might double and the impact halves [5].

The specialists from the Price Waterhouse state that change is an integral part that focuses on organization's continued growth and prosperity strategy, characterized by being both profitable and productive. A better change leads to a higher performance, improved results and measurable differences when „fueled by the brightest energy and most creative ideas of your people" [4]. According to the author, an efficient change is supported by "properly empowered and motivated employees and is driven by the specific needs of the costumer". In this way, successful companies can be identified through their continual efforts to respond to the always changing needs of the clients and also to their competitive environment [6].

A better change is "institutionalized in a culture that values continuous improvement". The author emphasizes on an efficient communication between all of the involved members in an organizational change process. Five "C's" are outlined in developing a successful communication plan. These C's are as follows:

> Candidness: characterized by honesty towards employees;
> Contextual: presenting to the stakeholders a general idea of the change, explaining at the same time the relevance of the process to company's success;
> Constructive communication: that aims to protect the stakeholder unity against threatening comments;
> Consistency: characterized by written, oral and nonverbal communication;
> Continuous: a continued strengthening of the commitment necessary for a successful change implementation.

The other types of communication that members of an organizational change process use are described by Price Waterhouse as "thinking big, acting big". According to their view, large-scale changes are both possible and imperative.

„Thinking big" assumes a success in creating teams with diverse talents that will support innovation and will make new processes work, while eliminating those that do not function. Also, change leaders and their teams must think "out of the box", finding new practices and innovative solutions to their problems.

Offering feedback to change leaders and their teams will contribute to a smoother implementation of the change process, especially if the feedback will include measurable goals. To show team members that their work is connected to the organization's profitability, when goals are achieved and solutions to the problems found, change leaders can offer them rewards.

The role of the change leader is very important during a change process. He or she is the person who will communicate the change message to all the affected members, hoping to gain their support for a successful implementation. If there are situations when the person in charge with the implementation of the change process does not do his job properly, he or she needs to be changed. Although, a culture change cannot happen very fast, it can be done very effectively if management wants and supports the process. However, some specialists note that „not always all staff is willing to follow the new leader". As a result, the commitment and engagement of top managers is essential to ensure a successful implementation [7]. Also ensuring consensus is very important and "if consensus is low at any level of the organization, it might be necessary to repair it immediately" [4].

3. JOHN KOTTER'S MODEL

Analyzing the change process for over 30 years, John Kotter considers that there are significant differences between the change efforts that succeeded and those that failed. The author's model is a linear one, assuming predictability and addressing those organizations that want to achieve fundamental changes in managing their business, being able to cope with a new challenging environment.

Kotter's model involves eight stages, the first four focusing on refreezing, the next three making the change happen, while the last stage refers to freezing, anchoring the new changes in the organizational culture.

1. Creating a sense of urgency implies an attentive examination of the competitive market, identification and discussion of the possible crises and opportunities, as well as the presentation of some facts from outside

the organization that will prove that the change is necessary [8].

2. Forming the guiding coalition refers to convening a group with sufficient power to conduct an organizational change effort, finding the right persons, building trust and developing a common goal. It is recommended to find and gain the support of the key members of the change process and encourage them to work together, as this stage refers to building consensus.

3. Creating a vision for change helps directing the change efforts and developing the necessary strategies to achieve the vision.

4. Communicate the vision "using every vehicle possible". According to Kotter, an efficient vision must have the following characteristics:

- Is imaginable, conveying an image about how the future will look like;
- Is desired, resorting to the long term interests of the stakeholders and other people who have a stake in the change efforts;
- Is achievable, with easily attainable goals;
- Is clear and focused while providing the necessary guidance to take the appropriate decisions;
- Is flexible, allowing others to take individual initiatives when needed;
- Is transmissible, being „easily expressed and explained in less than five minutes".

5. Empowering others to act implies eliminating the change obstacles and modifying the systems and structures that „work" against the vision. It is important to remember that this process involves the identification of the main stakeholders, which may manifest resistance to change, based on their previous experiences. Therefore, the key to gaining support of stakeholders who manifest resistance to the new implementations is a combination of patience and involving them in assessing the need for change and implementing organizational change itself [9].

6. Creating short term wins refers to planning and achieving visible performance improvements, as well as recognizing and rewarding those persons which are involved in obtaining better results.

In the process of creating a major change, Kotter describes the role of short term wins in six parts:

- Providing sufficient evidence that the sacrifices made in the name of the organization are worthwhile, because short term wins do help justify the costs involved;
- Rewarding change agents with gratitude and feedback in order to build motivation and morale [5];
- Short term wins help to a more efficient putting in motion of the visions and strategies;
- „A short term win can undermine cynics" by emphasizing that performance improvement can make a change progress;
- Short term wins encourage top managers to support more the change processes;
- A short term win builds momentum in supporters, including those who were initially neutral [5].

7. Building momentum by reinforcing the behaviors that led to new improvements.

8. Anchoring new changes in the organizational culture is accomplished by articulating the connections between new behaviors and organization's success. A new plan is developed, as the processes need to be compatible with the new procedures and the old culture could no longer reaffirm [6]. In this last stage is very important for leaders to communicate constantly with their subordinates and manifest support. The author emphasizes on this aspect as "people are often reluctant to admit the validity of new practices" [10].

4. A COMPARISON BETWEEN PRICE WATERHOUSE AND JOHN KOTTER MODELS

The 15 steps to a better change identified by Price Waterhouse are very similar to John Kotter's eight stages, a fact which suggests that leaders of an organizational change process start by confronting their reality while establishing new methods and procedures to compete more effectively with other similar organizations.

In his book, "Leading Change", John Kotter seems to have the same perspective about the culture, organizational change and vision as Price Waterhouse. The author shows that a new change can be implemented better when anchored in organizational culture, a fact which implies that the most changes in norms and shared values will

occur when the transformation process will be close to completion [8].

Kotter expresses a similar view with Price Waterhouse's implementation strategy in the third stage of his model, creating a vision for change, which contributes to the implementation of the change mandates.

Both authors describe their models as "requiring a lot of talk". The person heading the transformation leadership must be almost evangelical, showing determination to subdue any change barriers that might appear during the change process [4]. Also in both models the role of the stakeholders is emphasized, which will engage more rapidly in an organizational change process if they contribute to it [11].

A comparison of the models shows that despite an effective communication enhances effective leadership; it does not increase the allocation of competence that is required to implement organizational changes. According to Price Waterhouse, competence attribution has five imperative principles characterized by awareness, dialog and participation, which are shown in contrast with Kotter's eight stages.

Tabel 1. Price Waterhouse imperative versus Kotter's stages

Price Waterhouse	John Kotter
Building the case for change	Creating a sense of urgency
Changing leadership behavior	Forming the guiding coalition
Eliminating faulty systems	Eliminating obstacles
Demonstrating that empowerment is possible	Empowering others to produce changes
Institutionalizing change	Anchoring new changes in the organizational culture

Source: Adapted from Gerhard P. L., 2004. *Organizational Change: a comparison of four of the best models of all time*, Paris, 37-38

The authors from Price Waterhouse remind readers that change and delegation have their own associated costs, although these costs should be accompanied by greater benefits. Three success factors should be considered:

1. Long term engagement: involves targeting some quick wins and treating delegation as a new way of managing;
2. Employee's expectations: employees must know that a transformation cannot happen overnight and that there will be always both gains and losses;
3. Trust: those involved in a change process must know where, how and when the changes will start, as well as, how they will affect them. Top management must communicate constantly with their subordinates, letting them know their intentions and also respecting their promises.

"For Price Waterhouse, connecting the dots – analyzing and maintaining ongoing change programs – is not a game." [10] In their opinion, connecting the dots means leadership through delegation, which is „not just having the authority to do the job, but also the appropriate knowledge and tools to do it well" 4]. Empowering employees to assume a leadership position in any beneficial situation for the organization is crucial for its future development. The allocation of competence can be supported by helping employees understand better the benefits of their involvement in the change process, as well as how the change can be beneficial for the entire organization. Also, employees must be confident that their contributions will be respected and recognized by others [4].

Although Kotter does not use the word connection, he also considers that empowerment has both gains and losses. Employee empowerment is the fifth stage of Kotter's model and involves removing obstacles, changing systems and structures that inhibit vision of change and also „encourage risk taking and nontraditional ideas". Benefits are directly related to costs and when a feature is removed from the model, another one is either added or allowed to function in the interest of creating positive organizational changes. [5]

According to the two models, leadership offers the group the necessary power to implement the new changes. Changes can be followed by monitoring them [4] or through short term wins [8], actions that represent a necessary step in creating an organizational change.

Monitoring changes includes gathering information to determine whether:

- The desired improvements occur;
- Potential problems resulting from the transition process are diagnosed;
- Feedback is given properly to stakeholders, so that they show their support [4,8].

From monitoring the processes new ideas might result, impacting the change processes, which could lead to altered the original plans. With new information, an action plan could vary from its initial form. The remodeling process involves formulating a plan that will define and specify clearly the performance goals and their achievement periods [12].

Sometimes is necessary for leaders within the organizations to „repair" consensus, which should be done in the same manner it was „build" [10]. Similar to Kotter, Price Waterhouse identifies five steps necessary for creating and "repairing" consensus. These steps involve identifying stakeholders, identifying key needs and desires, as well as the period in which the perception of the proposed change is analyzed. This can be accomplished through an effective listening and an open and sincere communication. Through effective listening people are much more motivated to support changes [4,8,9] and leaders who have communication skills can easily evaluate cases of agreements and disagreements.

Kotter's model has another stage that resembles one of Price Waterhouse's principle and it is called "Building momentum". As connecting the dots [4], this stage involves "an increased use of credibility to change all systems, structures and policies that do not fit the transformation vision". This stage also involves hiring, promoting and training employees execute better the organizational change vision while "reinvigorating the process with new projects, themes and change agents" [10].

Organization's key members and change agents must be reassured that they will have access to the necessary tools, information and resources to connect properly the working points [4,5,8]. In addition, sometimes they might need management support in order to resolve all the arisen problems and disputes [4].

To conduct an effective empowerment process change leaders must communicate openly, transfer authority to their subordinates and make sure that they assume responsibility. It is essential for change leaders to direct their team members in the right direction. The communication between the two parts involved must be sincere and clear, so that the possible misinterpretation problems to be avoided. This communication must be done in a timely manner, „even if it involves discontinuing programs and teams that do not support the goals" of the organizational change process [5].

5. CONCLUSIONS

According to the presented observations in the paper, the two models have both similarities as well as own views. Both models focus on culture, organizational change and vision. Continuous communication is also a point of tangency, being characterized by honesty and consistency. The authors emphasize that communication should be facilitated in a positive manner, being essential if management aims to implement a successful change. Change leaders must be honest with themselves and others, gaining employee's trust, and also be aware of stakeholder's desires. They need to use references, measurable and achievable targets, as well as short term wins [4], which must be established, recognized and rewarded when the targets have been achieved [8]. Another important aspect is represented by the changes that aim to satisfy customer's needs, Kotter suggesting that the leader should primarily focus on stakeholders.

Both models suggest that when the vision was determined and decisions about the future direction of the organization made, the vision should be implemented and embedded in the organization's culture "using every vehicle possible". Necessary corrections must be made to the systems that do not align with the organizational change plan. According to Waters, the model does not matter as much as how stakeholders see the change process [11]. In other words, the main idea of the two analyzed models is that an organizational change process can be successfully implemented only when the stakeholders will be a part of it, attending and expressing their opinions.

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