

# Implementing Change In Organizations (A Manager's Guide)<sup>1</sup>

Robert Youker  
The World Bank

## Introduction

Workers in organizations are often faced with the problem of introducing change to procedures that may impact the status quo. Some simple changes result in strong resistance, causing additional problems for management. Other changes are usually accepted as worthwhile improvements. The purpose of this paper is to define why some changes are resisted, while others are accepted, and to describe how managers can use procedures that may result in a substantially higher rate of acceptance of proposed changes. This will include a model for analyzing ways to improve the methods and for introducing change in a given situation.

Although the change can be of any type, this article will focus on changes in administrative systems. Examples of administrative changes would include the installation of a formal system of analysis of capital investments, using the discounted cash flow technique for calculating the return on investment; or the introduction of a system of development project planning and control based on the critical path method of network diagramming (CPM/PERT). Both types of new administrative systems would require changes in the way some of the organization's personnel carry out their daily work.

The history of the introduction of administrative systems changes is replete with failures. Some new systems were never implemented, while others had modest initial success but then died out over time. For example, a study by Davis [3] indicated that only 55% of the major construction firms in the USA were effectively using CPM. A study of corporate

models in management science indicated that only 3% had been implemented [12]. Each reader, I am sure, can think of several examples of systems that have been developed and not fully implemented.

Is there some way that we can explain why so many proposed changes failed, and can we find procedures and processes for managing change that will avoid those reasons for failure and result in a higher rate of success? As the pace of change in the world accelerates, this becomes a key issue for the manager struggling to help his organization adapt to an increasing rate of change in his environment.

Some change is readily accepted and quickly implemented. For example, within a relatively few years after commercial introduction, a high percentage of U.S. homes had television. The xerographic copy machine quickly changed several aspects of American business.

On the other hand, there are many examples of seemingly valuable changes which have achieved only grudging acceptance after a long period of time. In the area of project management, this would include the use of CPM and the development of integrated cost and performance measurement systems.

Why are some changes readily accepted while other changes are resisted? How can we anticipate problems in introducing change? How can we manage a change situation to handle anticipated problems? How can tools and concepts from the behavioral sciences help managers implement change more successfully? These are the questions this article will attempt to answer.

## Individual's Cost/Benefit Tradeoff on Change

When faced with a proposed change, an individual

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weighs the potential rewards versus the potential punishments. Lorsch says, "The way persons respond to an attempt to change their behavior seems to depend on an implicit cost/benefit analysis which they make of the change" [7]. Similarly, Harvey has stated, "...I suggest that we forget the concept of resistance to change and search instead for those conditions in an organization which make change rewarding or punishing" [5].

This tradeoff between rewards and punishments determines the individual reaction to change: acceptance if the rewards outweigh the punishments or resistance if the punishments seem greater than the rewards. I will use this concept to build a simple model to analyze any change process. Since the individual's cost/benefit tradeoff depends on his perceptions of the potential rewards and punishments, we will also have to look at the factors of communication, perception, and personality which influence that tradeoff.

In this analysis of factors affecting the cost/benefit tradeoff, I will use a variety of theories and concepts in the behavioral sciences to demonstrate their value to managers.

#### Analyzing Rewards and Punishments

In any change situation we need to know how the individual perceives the situation. His reaction can only be based on his perceptions of the potential rewards and punishments; consequently, the manager analyzing the proposed change must try to anticipate the employee's potential perceptions of the rewards and punishments.

The existing situation, or status quo, has both rewards and punishments for individuals as does the proposed new or change situation. The net effect towards or against change will be a net sum of all four of these factors, rewards and punishments of status quo and the change.

Figure 1 is a form or checklist to be used to analyze the relative degree of motivational force towards change or towards the status quo. The existing situation or status quo is on the left side of the form and the proposed situation or change is on the right side. There is a space to define each of these situations at the top of the form.

The manager or analyst or individual lists the perceived rewards and punishments of both maintaining the status quo and instituting the change in the appropriate location on the form. The rewards of

change plus the punishments of the status quo equal the motivational force toward the change. This force toward change must be balanced against the forces for preserving the status quo. These are the rewards of the status quo and the punishments resulting from the change. In each of these cases we must use perceived rewards and punishments from the point of view of the individual.

A subjective weighting system from one to ten could be used for each reward and punishment. The total toward change could be added up and compared with the total toward the status quo to achieve an indication of the net relative forces toward either change or the status quo.

#### Managing Change

The use of the simple model in Figure 1 helps us to analyze the relative ease or difficulty that will be encountered in introducing a specific change. The key to managing change is to use the rewards and punishments analysis in Figure 1 to develop a strategy for easing the problems of implementation. The strategy is to increase the forces toward change (rewards of change and punishments in status quo) and to decrease the force maintaining the status quo (punishments of change and rewards of status quo). In this way we increase the motivational force towards change.

To illustrate this model, let us consider the case of a manager who wants to implement more formal project planning using CPM/PERT (critical path methods). He will first think through the rewards and punishments as perceived by his organization. From Figure 2 we can see that the motivational forces toward the status quo seem much stronger than toward change. The manager needs to increase the motivational forces towards change by increasing the punishments in the status quo and the rewards of change and reducing the punishments of change and the rewards of the status quo.

One of the potential punishments of the change to CPM is the worry that formal plans on paper will be used to "catch" the staff in delays and mistakes. This might be avoided by telling the staff that the plans are for their use and copies will not be sent to headquarters. Some of the rewards of change revolve around the satisfaction of having done a better job of planning. One strategy of implementation would be to involve the staff in a CPM training program so

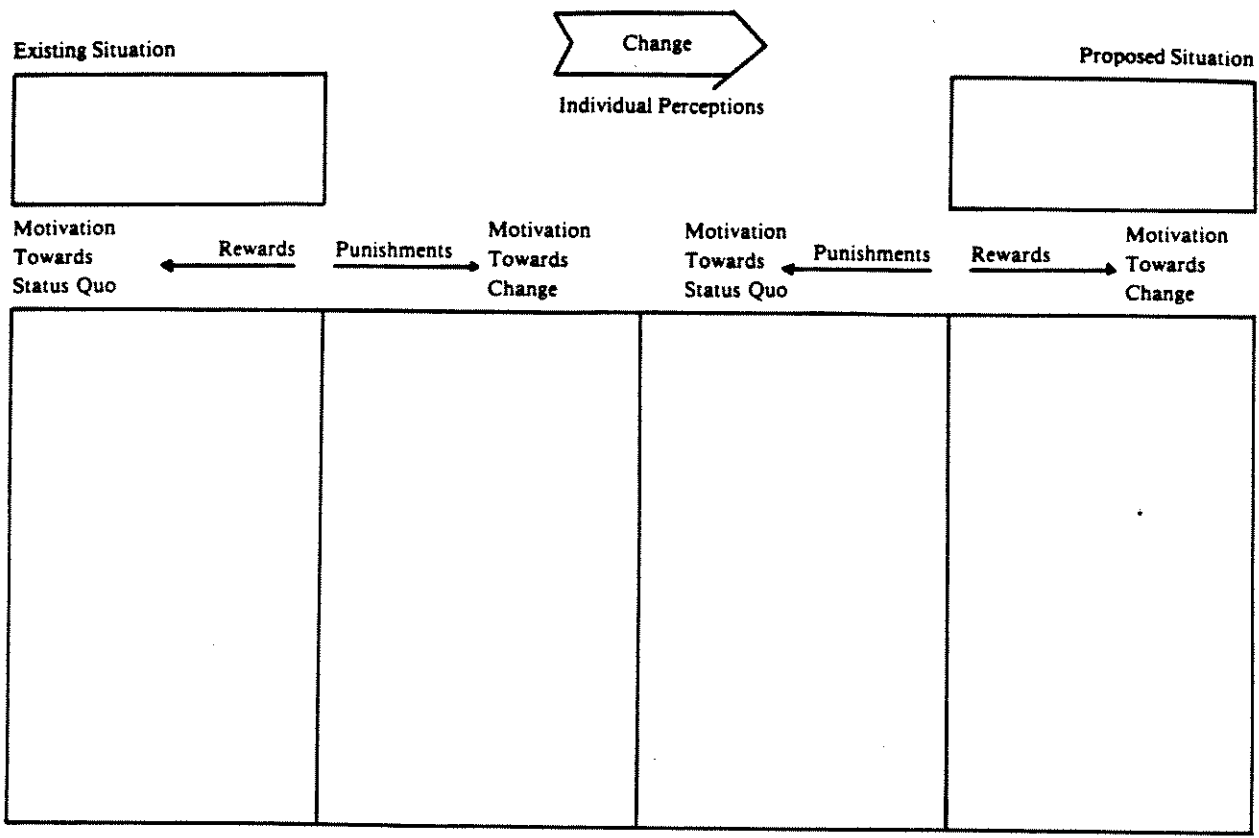


Figure 1  
Analyzing Motivation Towards Change

they will start to see the benefits of more formalized planning.

**Advantages of Rewards over Punishments**

To manage change, I have indicated the strategy of increasing the motivational forces toward change and reducing the motivational forces maintaining the status quo. Since there are rewards and punishments in both directions, managers have the option of using either or both. Although in some situations punishments may have to be used, generally, it is better to concentrate on rewards.

Punishments can be effective but carry with them a number of dysfunctional side effects. Psychological tension manifested as fear or anxiety may result from punishment. "Punishment may lead to avoidance and dislike of the punishing agent" [8]. Punishment may also generate counter aggression. Most importantly, punishment only changes behavior when the

threat of punishment is perceived to exist and only for the specific behavior punished. In the case of new administrative systems, this can lead to the familiar situation where staff maintains the old forbidden system on a hidden or "under the table" basis. As long as the boss does not know about it they will not be punished.

Rewards, however, will increase the probability of the change in behavior continuing to occur.

**Other Factors**

The individual's perceptions of the rewards and punishments of a proposed change will be affected by factors of communications, perception and personality. Attractive potential rewards may not be noticed, or potential rewards might be perceived as punishments. A number of factors will influence communication and perception.

**Communications**

One of the key problems in managing change is reliable communication of the change to those involved. A host of psychological factors can affect the individual's perception of communications. For example, the level of existing trust will affect the willingness to accept and believe. People are selective listeners and tend to hear what they want to hear. The background factors in the situation are extremely important in determining how the announcement of change will be received. A variety of behavioral science tools are available to manage communication effectively.

**Perception**

The expectancy of rewards and punishments will be influenced by the perceptions of the individual as to what the change is about and what the consequences of the change will be for the individual. The individual will operate on the basis of his perceptions even though they may be erroneous or colored by a variety of factors, such as poor communication or internal psychological mechanisms.

**Communication of Change as an Ego Threat**

The first punishment experienced by an individual

facing change is often due to the way the proposed change is communicated. The mode of communicating the message may be ego threatening and contain an inadvertent, covert message that threatens the individual's self concept. For example, being sent to a training program gives a message that you need training; therefore, something is wrong.

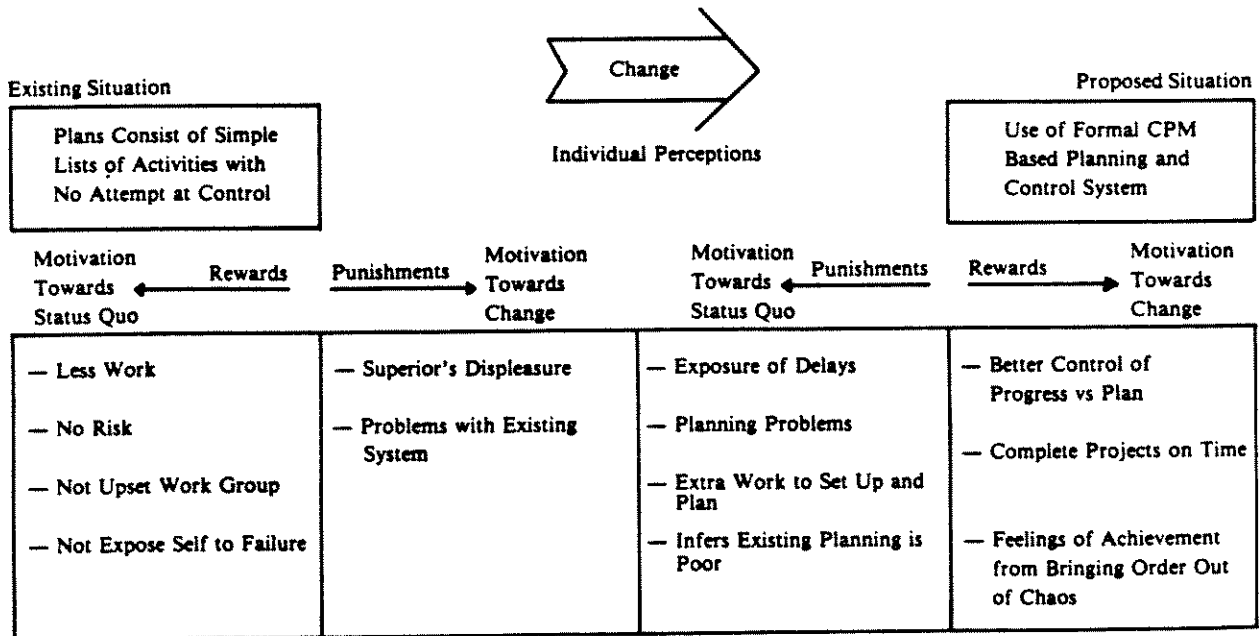
The resistance to the punishment in the message of change is an attempt by the individual to protect his self concept. When our self concept is threatened, we react with anxiety, fear, avoidance, changes in perception, and hostility — all forms of resistance to change.

The solution is not easy for management. We must think how the change will be perceived by the individual and try to communicate in a rewarding rather than a punishing way. For example, we can call a training seminar and invite skilled persons to contribute. This is an ego-satisfying message. Another way is to set up processes so that individuals define and solve their own problems rather than having superiors dictate plans.

**Personality**

For any individual, the relative balance between reward and punishment will depend greatly on the in-

**Figure 2**  
Analyzing Motivation Towards Change



**Figure 3**  
The Effect of Participation on Perceptions

Increasing Rewards	Decreasing Punishments
— Clearer Communication Increases Perception of Rewards	— Knowledge Reduces Fear of Unknown
— The Drive for Success is Increased Because Success is an Intrinsic Reward	— Information Reduces Uncertainty
— Increased Feelings of Control	
— Enhanced Self Concept from being Asked to Participate	
— Satisfaction of Accomplishment	
— Participation Develops Ownership which Develops Commitment	

been extensively used in the past to analyze change. It is similar to the rewards and punishments analysis recommended in this paper.

**Participation**

Ever since the well known Coch and French [2] experiment at the Harwood Manufacturing Company, behavioral scientists have been recommending participation as a strategy for successful implementation of change. But how and why does participation work? By using our analysis of rewards and punishments, we can see why participation is effective in some situations.

Figure 3 lists the effects of participation in increasing rewards and decreasing punishments. Participation works in the following basic ways:

1. Increased information increases knowledge of potential rewards and punishments and decreases fear of unknown punishments. It may also increase knowledge of potential punishments.
2. The increased involvement and control reduces fear of arbitrary punishments inflicted by management.
3. Being asked for a contribution enhances the self concept.
4. The feelings of ownership lead to intrinsic rewards of satisfaction of accomplishment.

A participative approach changes the situation from one of potential extrinsic punishment to one of intrinsic reward.

**Rules for Managing Change**

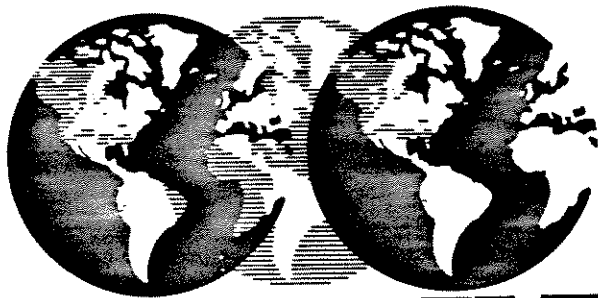

If the secret of change is an individual's weighing of expected rewards and punishments then the lesson for managers is simple: Increase the rewards and reduce the punishments! The following points seem important while implementing that rule:

1. Know how the individual will perceive the rewards and punishments. In other words, look at the problem from the other person's point of view.
2. The manager must ensure that the organization is acting on good information when each individual weighs rewards and punishments.
3. The manager can see what the prospects for the change are and can plan a program to increase the probability of success by setting up an analysis of rewards and punishments in the form of Figure 1.
4. This is a process of changing the situation to increase the expectation of rewards or decrease the punishments by a sufficient margin to ensure a smooth change operation.
5. One way to increase the rewards substantially appears to be to use a participative approach to analyzing, planning and implementing the change. Participation increases the potential intrinsic rewards and results in ownership and commitment.
6. True participation means the manager must be ready to change the nature of his project if the organization feels the punishments of change cannot be accepted.

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## CONTENTS

### PMI News and Views

From the Editor's Desk	3
Letters to the Editor	3
Message from the President	6
From the Director for Educational Services	6
By the Way...	8
The Chapter Scene	9
Houston Is Shaping Up—PMI '83 Technical Program	24
Book Review— <i>Project Management for Executives</i> Harold Kerzner	31

### Feature Articles

Implementing Change In Organizations (A Manager's Guide) <i>Robert Youker</i>	34
Delegation And A Sharing Of Authority By The Project Manager <i>Frank A. Stickney, William R. Johnston</i>	42
Manpower Utilization In Project Management <i>Itzhak Wirth</i>	56
A New Project Management System Approach: The "Know-How" Based Project Management System <i>Kiyoshi Niwa, Koji Sasaki</i>	65
The Project Manager: What It Takes To Be A Good One <i>Neal E. Thornberry, Joseph R. Weintraub</i>	73
A Training Technique For Developing Project Managers <i>John R. Adams, Nicki S. Kirchof</i>	81

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