Title: The Crucial Contribution of Communication in Managing Large Scale Organisational Change

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Streams:

  H.  Organisation, Development & Change
  I.  Case Teaching
  O.  General Management

Other: Communication Management

Paper presented to the

Australian and New Zealand Academy of Management (ANZAM)

18th ANZAM Conference

People First - Serving our Stakeholders

University of Otago, Dunedin, New Zealand

8-11 December 2004

To: pat@dcms.co.nz
Abstract

Most would agree that managing large scale organisational change is one of the greatest challenges facing corporations today; indeed successful change management is one of the key competencies in the 21st century. The literature concerning how organisations manage complex change has grown in recent times in response to the dynamics of globalisation, increasing competition deregulation and, privatization. How one arrives at successful long-term, deep, pervasive change, which alters the very core of an organisation and its people, has been and remains generally elusive to both theoreticians and practitioners.

Communication as a crucial dimension to change management is a solution that has been long ignored both by organisation and communication scholars, especially in dealing with large scale organisational change management.

This paper reports on a longitudinal qualitative study of the role of communication in large scale change management in a major Australian financial organisation, exploring the effectiveness of communication during change at both the individual and organisation levels. The organisation failed to pay appropriate attention to the communication dimensions of change management and consequently the paper suggests lessons learned from such failure. Furthermore, this paper considers the implications of communication in theory and practice for management in the 21st century.

Keywords:
Large scale organizational Change, Organic change, People Change, Change Communication, Change Management
1. Introduction

This paper discusses communication and its role in large scale change. Section 2 defines large scale change while section 3 is concerned with communication and change. Section 4 introduces the case study on which this paper is based and the conclusion makes some recommendations regarding change and communication. In all aspects of this paper, change is taken to be large scale organisational change.

On September 11, 2001 two commercial planes plunged into the twin towers of the World Trade Centre in New York City. The result was chaos and devastation to people, buildings and businesses. Such a disaster brought about massive change around in the world from changes in aircraft safety and airport security, to name two examples. Companies dealt with that disaster in different ways.

For example, TJX a leading off-price retailer of apparel and home fashions in the world, operating in the US, Canada and Europe lost 7 employees in the Twin Towers attacks. As soon as information became available, Edmond English, the President of TJX gathered his staff together and confirmed that seven of their colleagues had died. On the very day of the attacks, English brought in grief counsellors to help the employees deal with the emotional trauma. Furthermore, he chartered planes to bring in the victims' relatives to the company headquarters near Boston and greeted each family member in person. Edmond English clearly communicated to the workers that they could take time off as needed. Most did not take time off but, instead, came to work to help each other through grief, shock and trauma. Such a company approach enabled staff to express their grief and alleviated suffering. English communicated a clear message: TJX will help as much as possible to help each employee deal with this tragedy. As a result the company got back to normal relatively quickly because people were allowed to communicate their feelings openly rather than ignore or suppress their grief (Greenberg and Baron 2003).

In contrast, the executives of a publishing company close to ground zero chose to conduct business as usual. They conducted scheduled meetings but gave no time for their employees to communicate their feelings or express their emotions. The employees turned up to work feeling terrified and confused and could not concentrate on their work. As a result, loyalty to the company declined and employees failed to see the importance of their work, the company profits or the share price as important factors in the midst of such tragedy. The executives of this publishing company failed to understand why performance and overall productivity was low (Greenberg and Baron 2003).

What impact does more everyday change have on the lives of ordinary individuals? In the business world, the
trauma is just as great in the area of downsizing, job termination, staff redundancies or retrenchment. In November 1987, his boss, due to a downsizing initiative at the airline, fired Sam a 35-year-old US Air agent and father of seven children. Sam, bent on retaliation for the loss of his job, was responsible for four events: (1) The crash of an aircraft, US Air flight 1771, (2) the death of his boss, (3) the lives of 41 other passengers and (4) himself. FBI evidence uncovered a gun with six empty casings and a note which read "You showed me no mercy when I needed it, so don't expect any in return" (Tang and Fuller 1995, p. 14).

This true example illustrates the high cost of unthinking job termination, where the focus is primarily on the company's profit margin. Even today, job termination usually comes as a surprise to most employees who lose their jobs. According to Davidson and De Marco (1999), it is vitally important that communication plays a key role prior to the commencement of any change programme. A lack of timely and clear communication that jobs were going to be terminated at US Air, caused trauma to one family and ultimately the downsizing initiative cost many more lives and effected the morale of the organisation.

These introductory examples serve to illustrate the importance of direct, honest and timely communication. Surprisingly, the dysfunctional impact of downsizing and redundancy, due to poor communication has yet to be fully recognized or emphasized in change management literature. Yet, the reality is that management fails to appropriately communicate a clear picture of large scale change and are generally surprised at the repercussions of such an omission (Kotter 1996). Unmitigatedly, the company's profit margins and shareholder wealth are the compelling forces that drive most organizations, and when the desired financial results are not achieved, cost cutting, restructuring and downsizing seem to be the only ways that management knows how to tackle organizational problems and inefficiencies (Downs, 1996).

Whether it is acknowledged or not, large-scale organizational change is here to stay for some time. If anything, change management is on the rise. Consequently, it is crucial that communication management scholars play a definitive role in productively helping such change, especially as traditional management scholars have yet to embrace communication as a critical aspect in their theories and models of change. One of the most common reasons why large scale change is not deeply anchored deep into the organisation's psyche and why change efforts fails is because the people issues are neglected (Murray, 2004). People function through rich communication media and thus can bring about successful change.

Hence, this paper argues for the importance of effective communication during large-scale organizational change and the pivotal role that communication plays in the change process per se. Without a tenacious
emphasis on communication, the success of the change process can be viewed as merely adequate rather than triumphant (More, 1998; Paul, 2000).

Conscientiously scrutinizing the literature on the array of change management techniques (e.g. Quality circles, Employee participation, Self-managed teams, Re-engineering, Downsizing, Outsourcing, Empowerment, The Learning Organization) reveals that none of them stress the importance of communication as a fundamental component in their models. Those that mention communication, fail to attract the attention of CEOs, senior managers and change practitioners, regarding the crucial role that communication plays in any successful management practice, especially in large-scale organizational change. The salient question is, 'how do these management techniques and practices, propose to deliver absolute success, when communication is consistently neglected as a foundation, in their models and theories on change?'

2. Change Management

Managing large-scale organizational change is one of the most difficult, complex and least understood areas of management. Few systematic studies of organization-wide change have been conducted, particularly in large organizations. Existing research focuses primarily on change within the subunits (i.e. departments, divisions, specialized areas) of organizations (i.e. small-scale change). In contrast, large-scale change by definition (according to Mohrman, Mohrman, Ledford, Cummings, Lawler, and Associates 1991) is change in which the entire character of the organization is deeply altered and sustained over a long period of time.

This crucial difference between large-scale change and small-scale change must be understood, if the total character of the organization is to be completely altered and deeply entrenched into the psyche of the organization, in order to survive the ravages of time.

The language pertaining to the theories of change is full of ambiguity and complexity. Furthermore, there is little agreement among change management scholars and practitioners when it comes to defining "change". Nor is there widespread understanding of large-scale organizational change (Paul, 2000).

Indeed, change is a transition to be managed like any other, with planning, teamwork, compassion, innovation and skill. If change is handled effectively, both employees and the organization can learn valuable lessons and skills that can be applied to a variety of situations (O'Reilly 1994; Victor and Franckeiss, 2002). It is possible, not only to minimize the pain but also to maximize the gain. For instance, managers can improve their communication skills, problem solving and conflict resolution techniques. Employees can learn how to take charge of their own careers and improve their marketability within and outside the organization (Noer,
Change and downsizing are expensive organizational exercises, since the organization loses expertise (Margulis, 1994) and survivors often work harder and longer with little respite, making them prone to stress, anxiety and worry about job security and productivity (Birch and Paul 2003). So poorly handled change with inadequate emphasis on appropriate communication strategies, results in loss of confidence, commitment, empowerment and creativity amongst those who remain. Such negative reactions will be felt by the organization through financial consequences such as the share price, loss of customers and price negotiations with suppliers. Survivors will spend most of their time protecting their jobs rather than actually doing them (Kanter, Stein and Jick, 1992).

Mone (1997) suggests that the perceived perceptions of employees due to change, are directly related to the amount of trust (cognitive and affective) that workers have for their managers and the organization. Carnevale (1995) proposes the thesis that the positive outcomes of trust include increased communication, problem solving, and organizational learning and reduced conflict and stress levels.

But how is trust, employee cooperation to achieve organizational goals, loyalty to projects and commitment to the task achieved? The key answer lies in communication, a major determinant to successful large-scale change and organizational success (Mishra and Mishra, 1994). Moreover, according to Randolph (1995, p.23), "employees will only take risks in a culture of trust, tolerant of learning through mistakes". Without such a culture, inappropriate communication emerges with managers asking "Who did it?" rather than "What went wrong and how can we fix it?". In such a culture communication becomes dysfunctional with a focus on attaching blame rather than using information to solve problems. (Randolph, 1995).

3. Communication and Change

There are relatively few new ideas in the literature in the field of communication and change. Two seminal works are by Irwin and More (1994) and Tang and Fuller (1995) which highlight the need to consider communication during change:

- Effective communication between employees and managers is vital during change
- Direct communication between supervisor and subordinate relates positively to employee job satisfaction and organizational commitment
Increasing and improving the communication relationship between managers and employees increases levels of trust, loyalty, and job satisfaction

Clear, straightforward communication between management and employees, results in more tolerance of negative news and acceptance of disagreement during change

Sensitivity to others has been identified as one of the most important dimensions of interpersonal communication for managers.

In support of Tang and Fuller's (1995) research, Daly, Teague and Kitchen (2003) also found that the key to successful change is Communication. While the causes of failure for corporate change are many and varied, the vast majority arise within the organization. Beaver (2003) argues that communication is crucial for successful change while Hammers (2003) states that "Poor communication will cause a change initiative to fail" (p. 59).

Such findings demonstrate the practical dimensions of focusing on communication as an "organic" approach to large-scale organizational change, one that displays concern for the human aspect of such change. The key to organic change is dealing with people and placing an emphasis on clear, direct communication, which engenders trust. Griffith (2002) argues that what seriously disables people is being treated "mechanistically and instrumentally, while being told they are being treated humanistically. Such an experience shatters a person's sense of having a grip on reality, and is fundamentally undermining and de-skilling; and this is what change management does to people" (p. 297).

Another example of poor communication being a key factor in change failure is cited by Dooley and Zimmerman (2003). In this study of 467 multihospital systems in the U.S., 34 percent reported financial losses and forty-one percent found that there was disintegration in communication.

These examples show that communication is critical if large scale change is to be successful. Anecdotal evidence such as the collapse of Enron (McLean and Elkind, 2003), Ansett Airlines (Ballantyne, 1996) and HIH (a large insurance company in Australia, Commonwealth of Australia, 2003) suggests that transparent, honest and timely communication could have saved the disintegration of these companies.

4. A Case History of Change Management

The research for this paper is derived from 5 years spent at Concordia (pseudonym), working six days a week in an ethnographic rich case study, utilizing participant observation. Key aspects of methodology involved the
following, expedited by the mentoring and sponsorship of a senior company executive:

- Interviews (in-house and external) with the Chairman of the Board, Directors on the Board, the CEO, the Senior Executive team, middle managers and representatives from the rest of the organization
- Documents, memos, videos, internal correspondence, classified files and minutes of meetings
- Meetings, discussion forums, seminars, conferences, workshops, committees, working groups
- Access to surveys and consulting reports

The information obtained during those years was not only privileged but also highly confidential, reflected by the embargo placed on the research until 2005.

A brief history of Concordia

The Concordia Corporation has been a successful corporation for over 100 years, with an enviable track record of profits, contented stakeholders and satisfied shareholders. That track record was blemished when the company made one of the biggest financial losses in corporate history, with staff morale reaching its lowest point and a share price that had seen better days. Concordia had over 45,000 employees at one stage, but reduced to less than 30,000 worldwide, as a result of large-scale change.

For over 100 years, Concordia was undisputedly Australia's number one corporation and the biggest financial institutional with the largest financial aggregate of assets of any company for over a century. Yet in less than half a dozen years, it had squandered billions of dollars of shareholders' money and sank to the bottom of the financial ladder. How it managed to do this remains shrouded in mystery and secrecy. The story is one of greed, hubris, arrogance, ambition, fear and incompetence, which left an unforgettable scar on the financial landscape. Furthermore, Concordia had alienated its customers, infuriated its shareholders, incensed and disenchanted its loyal staff.

The peerless reputation which it enjoyed for over a century lay in tatters and, surprisingly, everyone (but Concordia itself) had seen the catastrophe approaching. The fall of such a commercial giant was unbelievable as it was reduced to being one of the world's weakest financial institutions and relentlessly misrepresented in the media. Externally, it was humiliated and scorned while internally; its staff were embarrassed to be associated with a disgraced company.
Few, if any, have been able to penetrate the organization or have access to its employees, staff, managers, senior managers, executives, managing director and chairman of the board of directors. Even those who have been sacked, resigned or retired have been clasped with corporate handcuffs, so that little information is communicated to the outside world. Concordia espouses secrecy in communication, aloofness in human interaction and coldness in explaining its decisions.

In the light of such circumstances, Concordia seemed to provide a perfect challenge for researching the nexus between communication and change. The challenge for this researcher was to try to acquire an inside understanding of the organization given the secrecy and the arduous task of obtaining information.

Concordia has made one of the biggest financial turnarounds in Australia's corporate history (1992 - 1998), but the internal organizational change has only just (1999 - 2003) begun. While the share price had increased, the prospect of strong capital gains in the long term will demand that Concordia has to overcome one of the biggest barriers to change - its culture. Concordia's managerial focus has been to return Concordia to a healthy financial situation, i.e. increase its investment rating, improve its cost-to-income ratio and keep shareholders happy. This delicate exercise meant that branches had to be closed (known as 'branch rationalization') and, therefore, the price was the risk of losing its large customer base and its significant market share.

The internal culture within Concordia encapsulates Australia's oldest corporate culture; with deep roots reaching as far back as convict times and having close alliances with the government. Such deep ties to history and the known colonized world have also given rise to its deep political nature. Since 1994, the senior ranks have been purged and a new culture was to be introduced with a large number of appointees to senior level management. The idea was to show middle level managers that there are different styles and different approaches to management.

However, the senior management was far removed from the front line by an enormous hierarchical distance and entrenched bureaucracy, where every decision was sent up the line to be ratified by senior managers. This was further compounded by the highly centralized nature of the organization with very few of Concordia's senior management located outside its head-office in a capital city.

According to a senior manager at Concordia, "the overall stakeholder morale is low, with customers becoming upset with branch rationalization and the introduction of fees for all accounts. Staff morale is low because of
the hard bargains made by Concordia on enterprise agreements with no incentives to work. It seemed that new senior managers were lured with huge financial carrots, while those that remained loyal to Concordia through difficult times, were often ignored" (Paul 2000).

These were some of the problems, which faced the researcher, and the more time that was spent there, problems that are more complex began to slowly emerge. Given the secrecy of the organization, the problems increased in breadth, depth and number.

This picture of financial loss is not unique in the corporate landscape and Concordia was not the only large corporation that downsized, nor which faced crises as the recent examples of Ansett Airlines and HIH demonstrate. Such crises are normally met with by organizational blueprints for revolution (usually violent change) and reformation (protracted, gradual change), since revolution delivers expedient results when time is exacting and reformation delivers measured results when time is abundant.

The following list of results is abstracted from the study of Concordia (Paul, 2000). The list indicates the state of Concordia until 2000, despite it efforts to change. The results may not be surprising, indeed, they may be familiar. Nevertheless, they are often hidden from the public gaze. The focus here should be on the question "Despite all the familiarity with the latest management theories, fads, models and multi-million dollar consultants, why do organizations still persist to act and behave in this way?" Clearly, unless there is honesty and openness in communication, change will not be successful.

1. Concordia Corporation operated on a culture of secrecy. Only those who knew influential people higher up the managerial ladder, obtained information much earlier than those who got it through the official channels, which in some cases was up to 12 weeks.

2. Bureaucracy was a formidable aspect of the organization. To get approval for an innovative idea, one had to get five managers to say, "YES", while to get a 'NO', only one of the five managers needed to object and the innovative idea was dead.

3. Access to Senior Managers was strongly discouraged, if not prohibited. Communication had to be conducted, layer by layer up the hierarchical line. Jumping layers of management was seen as insubordination and one's loyalty was called into question.

4. The Corporation ran largely on "fear". Employees were terrified of losing their job, that potential promotion or pay rise. The internal culture was one of fearful conformity.

5. Employees who worked long hours rarely received the bonuses that the Top Team of Executives
received. Employees were seldom given praise or recognition for their work.

6. Formal communication was done in writing. Verbal agreements were often denied if something went wrong on the grounds that such agreements were made under stress or pressure. Every decision had to be signed off by the next highest authority, and the higher authority never signed unless there are two other managers at the same level, signed first. This ensured that blame was always shared if the project or idea failed.

7. Informal communication through the grapevine (usually spoken in places such as the staff room, water fountain, the elevator) was by far the most efficient and quickest means to gain access to pertinent information.

8. Senior management refused to accept bad news of any kind therefore, their 2IC (second in charge) vetoed any information, which might be negative.

9. Employees who have been with the Corporation for over 15 years were overlooked for promotion, while younger, inexperienced newcomers took positions of management on up to 3 times their wage. The long timers have confided that they no longer offer any ideas, solutions or even bother to inform their new younger superiors about methods, practices or processes that have been tried before and have failed miserably. This inevitably cost the corporation valuable time and money.

10. The cost of terminating long-term employees was significant. They had built strong working relationships with suppliers, customers, media journalists and other stakeholders. Furthermore, they smooched, exchanged favours, negotiated deals and exploited vast personal, social, political, business and media networks for the profitable gain of the organization. Such resources are underestimated and are often overlooked. These employees take with them immeasurable resources, corporate memory and years of experience, which cannot be replaced by a shiny new MBA graduate.

As mentioned earlier, such findings are familiar to most scholars and practitioners of change management. So the question is: despite such massive efforts to change, have people changed to such an extent that it makes a deep unalterable impact on the organizational psyche?

5. Conclusion

What practical lessons can be learnt from Concordia Corporation, which can be applied to corporations? It is little wonder that large-scale organizational change fails both in achieving short-term initiatives, and long-term strategy with such poor communication grounded in a dysfunctional culture. With such entrenched attitudes and behaviour, large scale change (which deeply alters the psyche of the organisation) is difficult, if not highly challenging.
The solution to poor organizational environments is an organic approach involving open, honest, direct communication. This is the key to any successful and deep change initiative. As argued earlier, effective organic change management is dependant on trust, loyalty and two-way communication, with senior management supporting change and leading by example, rather than ruling by edicts.

Communication must be built into every component of change and must play a key role in every management practice. For change to be a success, both management and employees must be willing to participate in that change together, rather than one directing the other or one resisting the other.

Finally, change management scholars have to be practical in their application of knowledge for the business environment. Discussions at conferences like these must penetrate the walls of organizations that pretend to know how to communicate, but fail to find enough change practitioners in the field to help them communicate effectively and directly. Our knowledge must create action for organizations that are struggling with change and we have a duty to improve the quality of life of those who work for such organizations. This paper has argued for a strong emphasis to be placed on communication during large scale change. However, communication is fundamentally about people and placing their needs first. Organisations which place people at the forefront of change have the potential to reap rich rewards both financially and in creating a happier workforce.
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Best regards,

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Professor Peter Dowling
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Graham Elkin, Head of Department
Department of Management

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ISBN - 0-476-01131-0

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