WHY CHANGE PROGRAMS FAIL:
BUSINESS DEVELOPMENT AND IMPLEMENTING LASTING CHANGE.

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Organisations are constantly faced with a changing environment. This is true in particular in respect of energy companies, which are having to deal with the effects of increasing liberalisation in Europe. What used to be a unilateral supply relationship (from producer via distributor to the customer), has now turned into a multilateral supply relationship. Within a very short time, a bevy of new parties has entered the market: traders, middlemen, energy exchanges and competitors from quarters not belonging to the traditional energy-supply sector. This entails that energy companies must adapt themselves accordingly, a process, which, however, often goes hand in hand with what I call an 'adaptation crisis'. The organisation is seeking not only new ways of setting up its primary processes, but, at the same time, has to design new collaborative relationships, often across traditional borders. In addition to such an adaptation crisis, I also perceive a 'commitment crisis'. *(see figure 1).*

A commitment crisis occurs when the organisation, in an effort to adapt itself to the changing environment as quickly as possible, alienates itself from the staff. This happens when the staff is not involved closely enough in the transformation process. In successive waves during the past decades, organisations have made sweeping changes to their organisations. Change programmes such as Quality circles, TQM, re-engineering of Kaizen followed each another in rapid succession. The key items stressed in such programmes were always different, however. *(see figure 2).*

Undertaking major organisational transformation projects requires leadership rather than management. Leadership defines what the future looks like (and is able to convey this vision to the staff); management is more concerned with keeping the systems running. Certainly within energy organisations, which traditionally may be characterised as 'technical hierarchies', there is a pressing need for leadership. Figure 3 gives a brief overview of the differences between management and leadership. *(see figure 3).*

The difference between management and leadership also affects results of major changes. A proper combination of the two is an absolute prerequisite to successful organisational change. *(see figure 4).*

In addition to the difference in effects between management and leadership, Kotter (1996), basing himself on comparative research of organisational changes in different organisations, identifies 8 frequent mistakes made in respect of organisational changes:

1 Allowing too much complacency;
2 Failing to create a sufficiently powerful guiding coalition;
3 Underestimating the power of vision;
4 Undercommunicating the vision by a factor of 10 (or 100 or even 1.000);
5 Permitting obstacles to block the new vision;
6 Failing to create short-term wins;
7 Declaring victory too soon;
8 Neglecting to anchor changes firmly in the corporate culture.

These eight frequent mistakes have a major impact on the result:

a New strategies aren't implemented well;
b Acquisitions don't achieve expected synergies;
c Re-engineering takes too long;
d Downsizing doesn't get costs under control;
e Quality programs don't deliver hoped-for results.

According to Kotter, the success of major organisational change projects depends on eight steps that need to be taken: *(see figure 5).*

The eighth step should lead to a new organisation culture. The creation of a new organisation culture is something that is generally thought of far too lightly and too 'mechanically'. It should be realised that the organisation's culture is often very deeply ingrained in the staff's behaviour. The energy business is characterised by a work force that, on average, have been with the company for many years. It may be expected that the desired culture will take several years to realise. A new organisation culture must harmonise with the new organisation. In general, changes may characterised as follows: *(see figure 6).*

The characteristics of new-style organisations correspond with new culture characteristics. These must be clearly established and constantly communicated. The new culture characteristics must be disseminated in every possible way. Whereas the energy company could often be characterised as having a corporate culture focused on rightfulness, the focus of the corporate culture of the modern organisation will often be on the added value the organisation can derive from the staff. Figure 7 shows the difference in organisation culture: *(see figure 7).*

Implementation of the new organisation culture calls for a systematic approach. First of all, HRM policy must be geared towards supporting the new culture. Possibilities include the introduction of performance management, including new evaluation methods, such as 360° feedback systems.

During the CIRED Congress in June 1999, the critical success factors in respect of the realisation of organisational change and the techniques to be employed for that purpose will be discussed in greater depth.
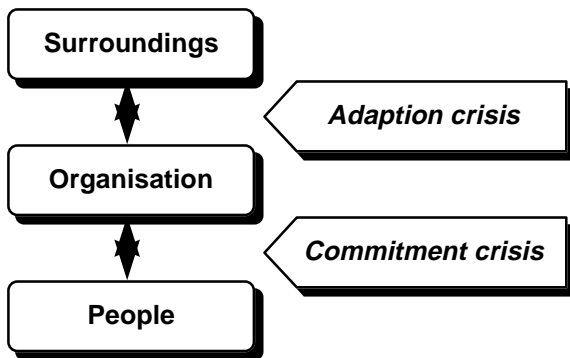
Figure 1: Crises resulting from a changing environment

Wave	Feature
Quality circles	In the early eighties, the focus was on the relationship between people and their tasks. What counted was the quality of the work.
TQM	In the late eighties, the focus was on the relationship between people and the results they achieved. This gave rise to the introduction of measurement systems.
Re-engineering	In the early nineties, the focus switched again to the relationship between people and their tasks.

Figure 2: Typification of successive transformation waves

Manager	Leader	Inspiring leader
controlling	*consulting*	*inspiring*
- orders - operates - leads - manages - handles - responds - safeguards - evaluates	- influences - explores - supervises - coaches - conditions - acts - demonstrates - motivates	- inspires - renews - enthuses - challenges - designs - anticipates - invites - facilitates

Figure 3: Management and leadership

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Transformation efforts can be successful for a while, but often fail after short-time results become erratic.	All highly successful transformation efforts combine good leadership with good management.
Transformation efforts go nowhere	Short-term results are possible, especially through cost cutting or mergers and acquisitions. But real, transformation programs have trouble getting started and major, long-term change is rarely achieved.

Management

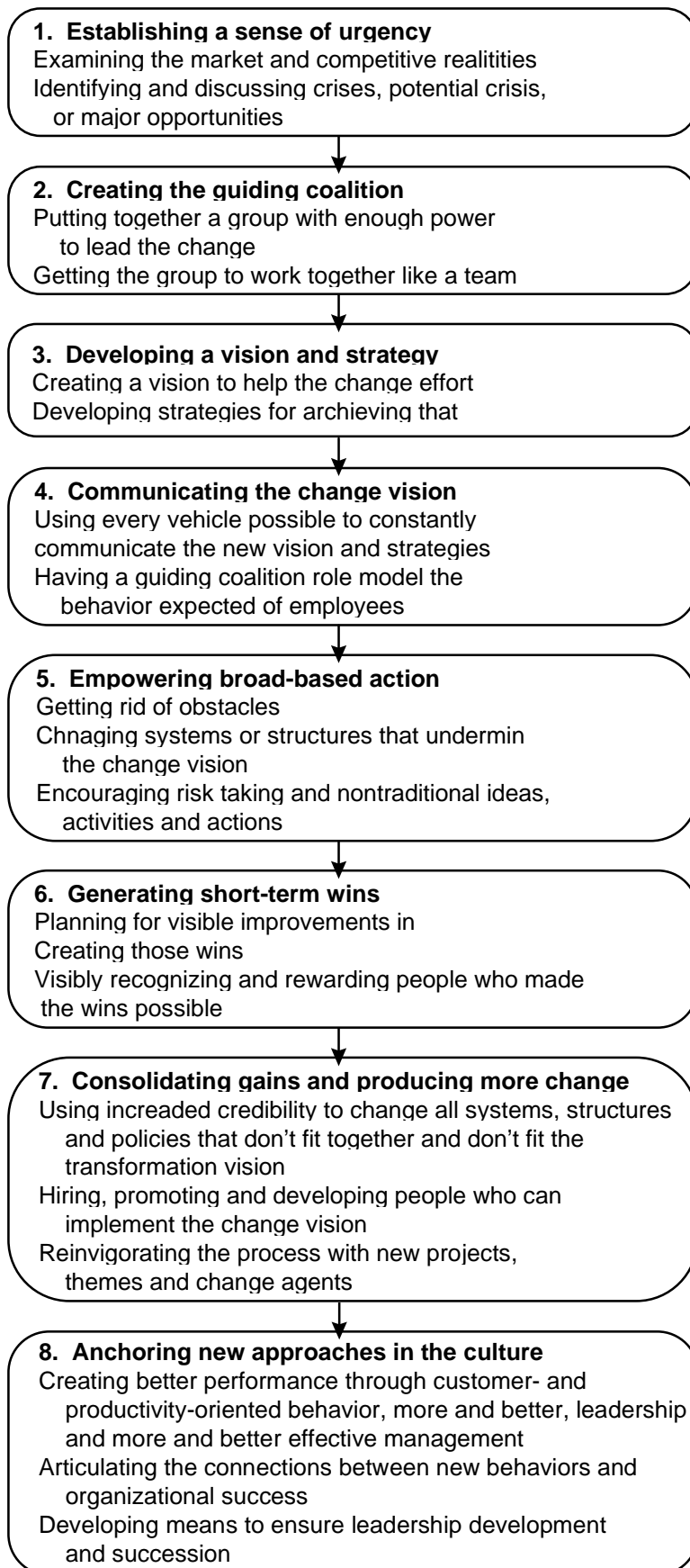*Figure 4: Effect of management and leadership*

1. Establishing a sense of urgency
Examining the market and competitive realitities
Identifying and discussing crises, potential crisis,
   or major opportunities

2. Creating the guiding coalition
Putting together a group with enough power
   to lead the change
Getting the group to work together like a team

3. Developing a vision and strategy
Creating a vision to help the change effort
Developing strategies for archieving that

4. Communicating the change vision
Using every vehicle possible to constantly
communicate the new vision and strategies
Having a guiding coalition role model the
   behavior expected of employees

5. Empowering broad-based action
Getting rid of obstacles
Chnaging systems or structures that undermin
   the change vision
Encouraging risk taking and nontraditional ideas,
   activities and actions

6. Generating short-term wins
Planning for visible improvements in
Creating those wins
Visibly recognizing and rewarding people who made
 the wins possible

7. Consolidating gains and producing more change
Using increased credibility to change all systems, structures
   and policies that don't fit together and don't fit the
   transformation vision
Hiring, promoting and developing people who can
   implement the change vision
Reinvigorating the process with new projects,
   themes and change agents

8. Anchoring new approaches in the culture
Creating better performance through customer- and
   productivity-oriented behavior, more and better, leadership
   and more and better effective management
Articulating the connections between new behaviors and
   organizational success
Developing means to ensure leadership development
   and succession

Figure 5: eight steps for successful changes

Old-style organisation	New-style organisation
-Fragmented	-Complex tasks
-Focused on vertical and functional issues	-Focuses on client-oriented horizontal processes
-Many control activities	-Control if it adds value
-Emphasises senior/junior relations	-Emphasises interdependence and complementary leadership
-Gives rise to a dependence relation	-'Security' is sought in own added value
-Trade-off between loyalty and security	-Information is accessible
-Information is 'secret'	

Figure 6:Characteristics of old-style and new-style organisations

Rightfulness culture	Performance culture
-Who is authorised to what?	-What is the added value of a contribution?
-Who is to blame?	-How do we solve this problem?
-Focus on the past	-Present and future
-What is sauce for the goose is sauce for the gander	-Performance-related earnings
-What are my rights?	-Where can I make a contribution?

Figure 7:Difference in organisation culture between old-style and new-style organisations