

TOPIC NINE: Change Management and Innovation



Overview

Any organisation change plan should analyse four factors – people, structure, technology and the physical environment. These factors are interdependent and there are consequences for failing to recognise them, particularly human nature in resisting change.

In this topic we look at the Dunphy–Stace change model, which uses the degree or scale of change combined with the way it was introduced (consultative/directive) to produce a matrix of change types. We also examine Kotter’s model of planned change that requires seven factors be present. If any one or more is missing, certain ‘symptoms’ of ineffective change will materialise. The seven factors are: pressure for change; a clear, shared vision; capacity for change; actionable first steps; modelling the way; reinforcing and solidifying the change; and evaluation and improvement.

One constant in any change process is inevitable resistance to change. Resistance can be individual or organisational and includes fear and inertia. Overcoming resistance can be addressed with techniques such as education and communication, participation and involvement, facilitation and support. Every change involves individuals in a personal transition which may appear emotional, irrational and illogical to some, but is nonetheless genuine and must be dealt with.

Like all management processes, change should be evaluated, and this topic closes by addressing the issue of sound evaluation.



Learning Objectives

On successful completion of this topic, you will be able to:

1. Discuss the nature of change.
2. Identify drivers of change.
3. Outline seven steps in any change plan.
4. List and define sources of resistance to change and how to deal with them.
5. Describe employees’ internal transition as part of a change process.
6. Evaluate change.
7. Discuss how to evaluate change using the organisation development (OD) method.

9.1 Underlying Concepts – the Nature of Change

Perhaps it is the nature of the phenomenon itself, but thinking and academic discussion on the nature of organisational change has introduced many new viewpoints about what change is, as well as questioning the fundamental principles about what constitutes an organisation. On the other hand, perhaps nothing much has changed after all. Consider this:

We trained hard ... but it seemed that every time we were beginning to form up into teams we would be reorganized ... I was to learn later in life that we tend to meet any new situation by reorganising, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralization.

Sound familiar? It is in fact a quote from Petronius Arbiter who died in 66 AD (Gortner, Mahler and Nicholson 1997:91).

Yet in contemporary life it seems change is constant and many modern organisations must compete by continuously changing themselves. Increasingly, change is conceptualised as learning. The underlying principle of accelerating and erratic change is the systems model incorporated in Peter Senge's often-quoted discussion of learning organisations. For example:

Learning accelerates change; change necessitates more learning, which further accelerates change, and around we go. It's a system put into play when a caveman told the first story. It accelerated when the pictograms went on the cave wall, picked up steam when monks began to hand-letter books. It did a vertical lift-off when Gutenberg invented the printing press. Then moved into the stratosphere with radio and television. It went into orbit when Jobs and Wozniak introduced their computer for the masses (Beckham 1992:64).

Government organisations, as much as any other, must to respond to constant, accelerated change but the problem is how to do so effectively. For example, in researching how well the United Kingdom (UK) modernisation program was applied to the National Health Service, Maddock (2002:15) commented that 'at a time when scientists are grappling with concepts of randomness, chaos and complexity, the UK government continues to drive change via closed-systems thinking and the belief in the risk-free solution'. Chaos is reinforced by contrasts between change that is 'episodic, discontinuous and intermittent and that which is continuous, evolving and incremental' (Weick 1999:1), as we shall see in the section on types of change.

This chaos extends to government's policy-making which is, by definition, about change. Administrative inertia and institutional sclerosis have become things of the past as modern policy processes take on a fresh dynamism. Complexity theory offers an explanation for how policy evolves in an erratic manner through a chain of decision making that impacts future policy, a process that is anything but linear. Any particular policy decision should be seen as simply a temporary state of equilibrium. Making a decision does not mark the end of change, just a 'pause'

until new pressures require new decisions. As with the problem-solving cycle, any model of a phased process of change is simply that: a model by which we attempt to impose order on a disordered and chaotic process. ‘Real life’ does not follow neat phases and stages. Policy change may progress through a series of parallel, iterative, sometimes overlapping and often competing streams of action. Policy changes are also the culmination of a series of decisions which, with hindsight, might not have been anticipated or planned and may have little similarity with intentions at the outset. The actors in one round of decision making and change may be replaced in a subsequent round. The actors themselves change during the process as they ‘co-evolve’ with the change, which in itself is ‘a stepping stone within an ongoing trajectory’ (Van Buuren & Gerrits 2008:382, 388, 391).

As policies change, so also do the organisations in which they are formulated. What prompts the senior executive of the public sector to initiate organisational change? Research shows that those with a longer tenure are more likely to do so, as well as those who network externally and have abundant financial resources. Executives who feel secure in their position, are exposed to new ideas and trends, and norms for political, professional and societal expectations, and have the financial leeway to do so are more likely to change their organisations. Senior executives are subject to forces in the organisation as well as external ones such as political influences, all of which can prompt change. Meeting the desires of political masters is a powerful influence for change. Given the importance of innovation in successfully responding to change, it is notable that innovation is fostered where senior executives protect their organisation members from undue influences and give them discretion (Fernandez and Pitts 2007).

Organisational change attracts many analogies and metaphors, perhaps reflecting the complexity of the phenomenon and the mind’s need to make patterns out of chaos. Perspectives include biological imagery, resource based explanations, contingency theories, political explanations, the systems view and postmodern critiques among others (Graetz et al. 2006). As well as being about organisational change, these perspectives also express how organisations themselves are understood. The strengths and weaknesses of ten different perspectives are shown in Table 9.1.

Table 9.1 Mindsets or different perspectives on change and their strengths and weaknesses

Perspective	Nature and focus of change	Strengths	Weaknesses	Management focus
Biological	ecological, organic, evolutionary, organisation adapting to their environment, survival of the fittest	explains life-cycle, fitness survival	fails to explain deliberate change	Environmental positioning, find competitive niche, progress through the life cycle, growth

Perspective	Nature and focus of change	Strengths	Weaknesses	Management focus
Rational	directed, planned, belief that with good management science everything is possible	means change can be controlled in parts	ignores external pressures, chaos etc	Strategic management and planning
Institutional	response to institutional/ industry pressure, regulators, social expectations	understanding external industrial pressures to conform	conformity at expense of competition	Benchmarking, TQM, best practice
Resource	access to resources	draws attention to need for resources to effect and sustain change	assumes change can't happen without resources	gaining and using resources and core competencies – eg management development
Contingency	every situation is different, fit between organisation and environment, structure size	dynamic nature of change and need to look at specifics of each situation	if situation is misread, wrong solution may be chosen	various, depending on the situation
Psychological	an emotional experience of those affected, focuses on the individual as the unit of study and action	draws attention to stress and impact of change on employees	ignores other aspects of change – task, structure, getting things done	managing employee transitions, psychological adjustment to change
Political	conflict, power	reminds us that power, politics and ideology underpin change or resistance to it	ignores other aspects of change – task, structure, getting things done	lobbying, manoeuvring, forming coalitions, garnering support
Cultural	determined by entrenched values, norms and what the group or organisation believes in and how they commonly behave	collective beliefs and norms should be kept in mind	culture change is vital but difficult due to its intangibility	surfacing and changing implicit beliefs, rituals, rituals, symbols, values, leadership

Perspective	Nature and focus of change	Strengths	Weaknesses	Management focus
Systems	interrelationships between all parts of organisation which is seen as a complex machine, change is 'chaordic' – (chaos-order)	guards against assuming that change is contained in one organisation unit	sometimes it isn't possible to address the whole system, and to do so is very difficult	change to all components of the system following prescriptive guidelines and or acceptance of chaos
Postmodern	no universal rules, explanations or responses, a socially constructed phenomenon reflecting a particular organisation's discourse	understand contradictions in change especially between old and new	difficult concept to understand and tends to criticise ideas without offering alternatives	empowerment, industrial democracy, challenging the status quo, iconoclasm, creating a new language or discourse

Source: adapted from Graetz et al 2006:19-20



Activity 9.1 – Perspectives on change

Looking at the various explanations of change in Table 9.1, which perspectives are more relevant to the public sector in general and your agency in particular? Can you identify your perspective or assumptions about what change is or where your focus lies? Are there other perspectives that might add to your overall understanding or give you new ways of looking at change?

9.2 Drivers of Change

The drivers of change have been referred to at various points in the PSM Program and include globalisation, technology, changing political ideology and shifts in demographics. In earlier units we talked about broad public sector consequences, such being more responsive to 'political masters', more accountable and transparent, more ethical, and to 'manage out' through better relationships with contractors, clients and so on. In this topic we see the internal, organisational responses to these drivers acted out as ongoing and frequent organisational change.

In the last two years, the driver that seems to be having the most impact on public sector organisations is demographics. Many PSM Program participants refer to organisations' dealings with an ageing population, shrinking workforce, influx of Generation X and Generation Y and increasing demands for flexibility and work-life balance in the form of childcare, elder care and time out for other recreational, community or sporting pursuits.

9.3 Types of Change – the Dunphy-Stace Model

Substantial research on change in organisations was carried out by Professors Dexter Dunphy and Doug Stace, from the Centre for Corporate Change at the University of NSW. Over seven years they examined change in low-performing and high-performing organisations in the public and private sectors, interviewing over 650 executives, managers and team leaders (Stace & Dunphy 1992).

From this research, Dunphy and Stace developed a matrix model for analysing change at the macro level (the total organisation) and the micro level (work group or individual).

9.3.1 Scale of Change

The Dunphy–Stace model uses two dimensions to define a range of change types. The two are *scale of change* and the *style of change management adopted by the change leader*. There are four distinct points on the scale of change ranging from fine-tuning to total transformation, as documented in Table 9.2

Table 9.2 Scale of change

Fine tuning	Developmental or incremental	Transitional	Transformational
Small adjustments, tinkering at the margins	Doing more than previously or doing it better than previously – gradual improvement	Moving to a new state after dismantling current ways of doing things – evolutionary	Revolutionary, radical, frame breaking, new paradigm

In some cases in the public sector, transformational change has been triggered by changes in voter preferences. This radical change is invasive and pervasive. Fine tuning and incremental change are gradual, of lower impact and ‘tinkering at the margins’. Generally change in the public sector consists of fine tuning or incremental change due to risk and complexity.

For example, in US health care, innovation is dominated by medical, technological solutions and little attention is paid to other aspects of healthcare or organisational improvement. Health organisations are reluctant to address any lack of efficiency in processes, safety, or client expectations. The higher the perceived complexity of the problem and risk of the solution, the less likely is innovation to occur. If health care managers are risk-averse and perceive high levels of intricacy in achieving change or solving problems, they are less likely to adopt new ideas or make changes (Ekmekci & Turley 2008). When deciding which services to outsource, health care managers chose those that were less likely to cause ‘political’ problems and objections. They failed to realise that outsourcing doesn’t remove problems, it just adds another layer of management complexity (Young 2007).



Activity 9.2 – Scale of change in your agency

Conduct some research or draw on your experience to find examples in your agency of cases that represent each point on the scale of change. What is the predominant change style in your agency in your experience?

9.3.2 Style of Change Management

Four *styles* of change management or leadership (Stace & Dunphy 2001) are shown in Table 9.3, based on how much consultation is evident.

Table 9.3 Four levels of consultation deployed by change management style or leadership style

Collaborative	Most employees are consulted on the nature of the change and how to best implement it
Consultative	Management makes the decisions on the nature of the change and employees are consulted regarding how to implement the change
Directive	Management makes the decisions on the nature of the change and how to implement it
Coercive	Management or outside bodies force organisational change. Decision-making is autocratic and occurs with resistance to change

Participants may recognise some links to other leadership theories such as Hersey–Blanchard’s telling, selling, participating and delegating as discussed in *Topic Seven*. Having looked at the two main dimensions in the Dunphy–Stace model – scale and style – we will now turn to how these two variables interact.

9.3.3 Interaction between Scale of Change and Change Management/Leader Style

The Dunphy–Stace model indicates how the scale of change in Table 9.1 (fine tuning, developmental or incremental, transitional, transformational) interacts with the style of change in Table 9.3 (collaborative, consultative, directive and coercive) to produce different types of change.

The result is a matrix or model of five types of organisational change evident in Australian organisations, as illustrated in Figure 9.1.

Figure 9.1 Five different types of change

Style of change management	Scale of change			
	Fine tuning	Incremental adjustment	Modular transformation	Corporate transformation
Collaborative		Developmental transition (constant change)		
Consultive		Charismatic transformations (inspirational change)	
Directive	Taylorism (avoiding change or making small adjustments)	Task-focused transition (constant change)		
Coercive			Turnarounds (frame-breaking change)	

Source: Stace & Dunphy 2001:22.

Some features of these five types of change are:

- Taylorism – avoiding change or making small adjustment; resulting in lower performance
- Developmental transition – focuses on developing employees, expanding services and enhancing communication; works well in collegial organisations; uses Total Quality Management, service quality and team building; short communication chains
- Task focused transition – constant reorganisations; new techniques; new products and services; new methods and procedures (possibly reminiscent of public agencies in the light of constant elections and change of government or minister)
- Charismatic transitions – as a popular leader with willing followers makes a radical difference – can quickly create a new order; depends on communication, development of trust or ‘faith’; leader may leave prematurely, causing charisma vacuum
- Turnarounds – frame-breaking change executed with a directive or even coercive style; often causes considerable pain and angst

How does this information translate into public sector innovation?



Required Reading 9.1

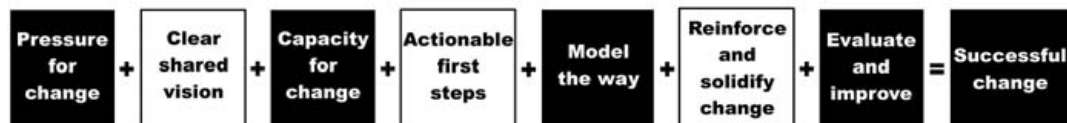
Moore, M & Hartley, J 2008, 'Innovations in governance', *Public Management Review*, vol. 10, no. 1, pp. 3 - 20.

We are fortunate to have a current reference from Mark Moore at the Kennedy School of Government, Harvard University to set as a reading. Moore is very influential in public sector management, for example in addressing public value. Here, along with Jean Hartley, he turns his attention to innovations in governance. The paper uses four case studies, so is more accessible than a large scale quantitative study, and argues that innovation in the public sector is different from product and service innovations in the private sector.

9.4 Seven Steps in Planning Effective Change

A useful and enduring seven-factor model lays out the steps to achieve change. These steps are also relevant in determining why change fails or is not fully effective and could be used in evaluation (Section 9.10). The seven are shown in Figure 9.2

Figure 9.2 Seven factors needed for effective change



Source: Kotter Robbins et al. 2008

This model shows that, depending on which of the seven factors of the change process is not effectively executed, different consequences will ensue. If any of the seven are skipped, failure is likely.

9.4.1 Pressure for change

Pressure is necessary or employees may not allocate a high priority to the proposed change. Employees have many objectives and conflicting demands on their time. Unless senior managers take action to ensure change is implemented, employees will respond to other demands. External pressures come from government legislation, political requirements, funding cutbacks, or increased competition. Internal pressures result from the Secretary or Director General setting new directions, employees indicating dissatisfaction, or poor performance. Without pressure, change will be low priority.

9.4.2 Clear shared vision

A vision helps employees understand the purpose of change. They need to feel a sense of involvement, identify with the vision and be able to challenge and test its

sincerity and appropriateness. How to prepare and articulate a workable vision was covered in *Topic Seven*. If the vision is not understood or shared, employees make a quick start that fails. A *shared* vision gains ‘buy-in’.

9.4.3 Capacity for change

Capacity refers to the resources and skills needed to implement the change. Does the existing workforce have the capability to change? Is the change going to impose on already demanding workloads? Do staff have the necessary skills? Managers need to plan and budget for implementation, allocate resources and training, and to build in the time needed to transfer to the new way of working.

9.4.4 Actionable first steps

These steps give employees the opportunity to start on the change. Sometimes called ‘encouraging small wins’ it allows employees to feel self-efficacy which promotes success. Without actionable first steps, employees make haphazard efforts and false starts, or they may not even start at all.

9.4.5 Model the way

This refers to the leaders of the organisation or work unit putting into practice values and behaviour reflecting the new situation. Management’s actions must be consistent with their words or employees will become cynical and distrustful. In other words, managers must ‘walk the walk’.

9.4.6 Reinforce change

This may take the form of reward or recognition for effective change. It can also be action to transfer or demote employees who continue to resist the change. Performance management must be aligned to the change.

9.4.7 Evaluate

Many change programs are not evaluated or only in haphazard or inadequate ways. As a result, programs are continued when they should not be or abandoned prematurely.

9.4.8 Diagnosis of what is missing

In addition to being a planning device, the seven factors diagnose what is missing from effective change and indicate corrective action (Robbins et al. 2001; Cacioppe 1997). As shown in Figure 9.3, the absence of each of the seven factors has different symptoms of ineffective change.

Figure 9.3 Symptoms of ineffective change when any of the seven factors is missing

Pressure for change	+	Clear shared vision	+	Capacity for change	+	Actionable first steps	+	Model the way	+	Reinforce & solidify change	+	Evaluate & improve	=	Change doesn't get off the ground
Pressure for change	+	Clear shared vision	+	Capacity for change	+	Actionable first steps	+	Model the way	+	Reinforce & solidify change	+	Evaluate & improve	=	A quick start that fizzles
Pressure for change	+	Clear shared vision	+	Capacity for change	+	Actionable first steps	+	Model the way	+	Reinforce & solidify change	+	Evaluate & improve	=	Anxiety, frustration
Pressure for change	+	Clear shared vision	+	Capacity for change	+	Actionable first steps	+	Model the way	+	Reinforce & solidify change	+	Evaluate & improve	=	Haphazard efforts, false starts
Pressure for change	+	Clear shared vision	+	Capacity for change	+	Actionable first steps	+	Model the way	+	Reinforce & solidify change	+	Evaluate & improve	=	Cynicism and distrust
Pressure for change	+	Clear shared vision	+	Capacity for change	+	Actionable first steps	+	Model the way	+	Reinforce & solidify change	+	Evaluate & improve	=	Go back to the old ways
Pressure for change	+	Clear shared vision	+	Capacity for change	+	Actionable first steps	+	Model the way	+	Reinforce & solidify change	+	Evaluate & improve	=	Sceptical and stagnate

Source: Kotter in Robbins et al. 2001:719; 2008; Cacioppe 1997:3.

Don't assume that individuals higher or lower in the organisation see change the same way you do. Evidence suggests that your subordinates see it as more negative and your superiors as more positive. Lower level staff want conflict to be resolved rather than endless communication. More senior staff want their subordinates to accept the vision but don't always realise that more than rhetoric is required (Jones, Watson, Hobman, Bordia, Gallois & Callan 2008). As well as creating a vision, senior leaders need to model the way, show first small steps and celebrate first practical gains (Kotter in Robbins et al. 2008).



Activity 9.3 – Evaluating change in your workplace

Choose a change that has occurred in your work unit.

1. Identify the details that match each of the seven factors.
2. Assess whether each was planned for and evident in the change.
3. If any were missing, did the negative consequences predicted by the model eventuate?

9.5 Planning for Change in the Public Sector

Many Australian public sector enterprises have been through task-focused transitions, sometimes after a turnaround phase (Stace & Dunphy 2001). Public sector managers are experienced and open to change but sceptical about the capacity of their agency to make the required shifts (Rainey 2003). Successful change in public sector organisations requires the following elements to be carefully considered in the planning phase:

1. An enduring power centre committed to effective change
2. Strong, stable leadership by long-term public sector leaders, managers and employees
3. An internal change agent with authority and resources
4. Active, creative leaders and employees
5. Good timing – a political window of opportunity
6. Political overseers who are supportive but not interfering
7. Agency leaders and employees who are politically sophisticated and skilled in managing up
8. Genuine employee participation combined with decisive action
9. A comprehensive, clear, realistic process
10. Measurable outputs that decentralise operational responsibility
11. Clarity about the nature and objectives of the new structure and process (Rainey and Rainey 1986 in Rainey 2003).

9.6 Resistance to Change

There will always be resistance to change. However, understanding it and consulting and communicating at all stages can go a long way towards breaking down barriers and ensuring desirable outcomes. It is important to identify the source and deal with it, rather than criticise the individual or team, or try to compel them to change. Individuals resist change depending on:

- how happy they are with the way things are now
- whether they like what the change looks like
- how practical the change is
- what the cost of changing is going to be to that individual, in terms of risk, disruption, and pressure to learn new skills (Beckhard & Pritchard 1992).

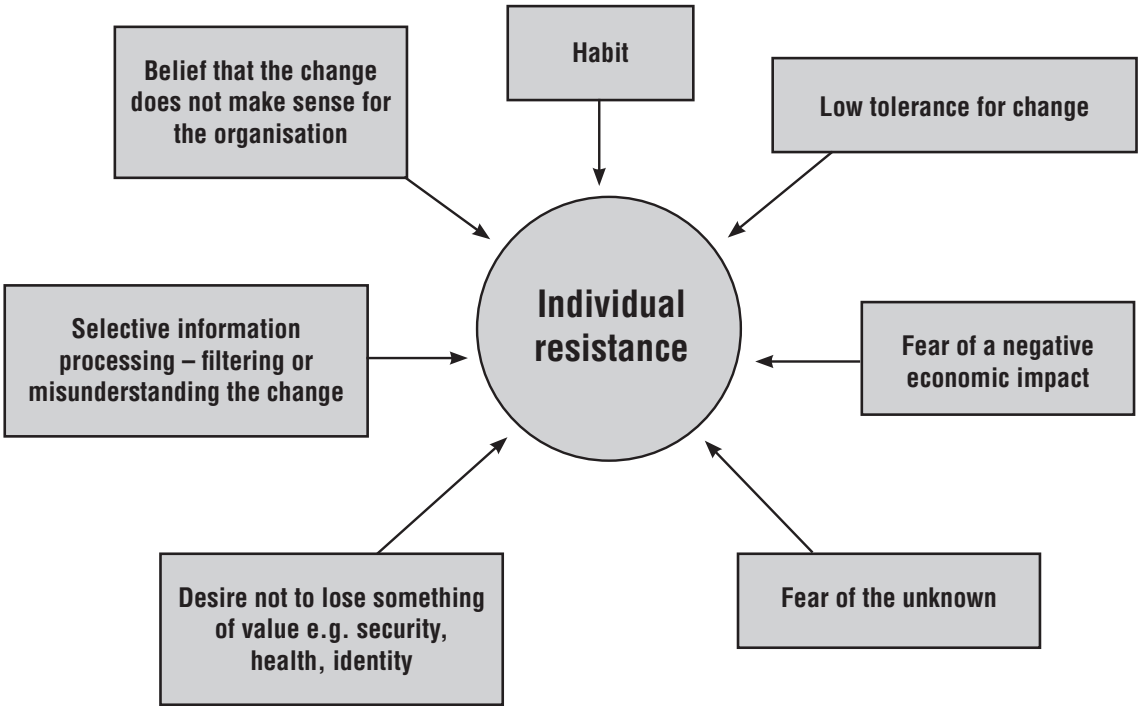
Ideally, all stakeholders would be committed to the change in order for it to be fully successful. However, there are many times when change goes ahead, regardless.

Here we use a three-fold approach to identify resistance from individuals, the organisation and the system.

9.6.1 Individual Sources

Seven individual sources of resistance to change are shown in Figure 9.4.

Figure 9.4 Seven individual sources of resistance to change



Source: adapted from Robbins et al. 2008:631; Kotter & Schlesinger 1979.

Each source is briefly defined:

- *Habit* can cause resistance to change in that individuals may be reluctant to change long-established patterns of behaviour. For example, if the work unit is moving to a new location, individuals may have to drive longer to get to work. If a new computer system is introduced, habits can stand in the way of smooth accomplishment.
- *Low tolerance for change* – some individuals welcome change, others fear it. Change fatigue may also build up over time.
- *Fear of a negative economic impact* – if the work unit or organisation is being restructured, people may fear losing their jobs and associated income. Lost overtime pay is a common reason employees resist changes to work hours or shift arrangements.
- *Fear of the unknown* – people can not see or visualise what the new future will be like. This is why communication is so central to successful change, to create a word picture of the future to make the unknown more familiar.
- *Desire not to lose something of value*. Threats to individuals' security can generate resistance. This source is similar to financial threats except that it draws on other forms of security besides money. In some cases it may mean physical security – such as when barriers between clients and staff are removed in customer service positions. Security in the form of health may be threatened if new equipment, chemicals or other potentially dangerous changes are made.
- *Selective information processing* is a form of filtering in which individuals only 'hear what they want to hear'. If they have a negative attitude about change, when a change is announced, they only hear the negative side of it and ignore any positives. For example, a union representative may view all changes as being a 'management plot' to make working life harder for staff.
- *Belief that change does not make sense for the organisation* – this is a useful source of resistance as it can signal genuine concerns about things that the change agent or management may have overlooked (Robbins et al 2001, 2008; Kotter & Schlesinger 1979).

9.6.2 Organisational Sources

There are collective sources of resistance as well as individual, as shown in Figure 9.5.

Figure 9.5 Six organisational sources of resistance to change



Source: adapted from Robbins, Waters-Marsh, Cacioppe, & Millett 1994:795, 2008:651.

Some organisational sources are self-evident, while others need explaining.

- *Structural resistance* is particularly true in bureaucracies, which were designed for stability, uniformity and routine.
- *Ignoring all factors that can be changed* or a limited focus – technology, structure, people or physical environment can result in blockages.
- *Threats to resources, expertise or power* are all similar. If one part of the organisation is more powerful or controls more resources under the current regime, any change that undermines this power is likely to produce resistance. For example, if budget power and responsibility is devolved completely to low levels in agencies, then central agencies and keepers of the purse strings are likely to feel threatened and resist.
- *Group inertia* can arise because groups, like individuals, develop habits (or culture and norms) and change means that these habits have to be abandoned or altered.



Activity 9.4 – Resistance to change

1. How do these sources of resistance match up with the ones you experience?
2. What contradicting evidence can you find that the sources are apparent only, not real?

9.7 Overcoming Resistance to Change

Given these many forms of opposition to change – how does it ever go ahead? Kotter and Schlesinger (1979) identified six techniques for overcoming resistance and there is little or nothing in more current literature to suggest that their advice is not still relevant today, except that perhaps newer generations of workers are less resistant overall.

1. Education and communication
2. Participation and involvement
3. Facilitation and support
4. Negotiation and agreement
5. Manipulation and co-optation
6. Explicit and implicit coercion

These techniques form a hierarchy, decreasing in effectiveness from top to bottom. The first three to four are employee-focused and take account of employee needs and preferences. The last two do not, and should generally be seen as the last resort. They represent a more traditional command and control.

9.7.1 Education and communication

One of the most obvious ways to overcome resistance to change is to inform people about the planned change at an early stage. If the need for and the logic of the change are explained the road to change may be smoother.

Substantial information should be supplied in advance of any change proposal. This is in addition to any task-specific training that takes place.

Two-way communication can help employees understand how they are affected, and in what ways they can benefit from change. It also gets reactions and resistance into the open, and addresses misunderstandings and objections.

The *crucial* principles for communicating about change, well proven by research are:

- In a significant large-scale change effort, one-way, top-down communication is not enough to generate staff commitment.
- Staff prefer to hear about change face-to-face from their immediate supervisor.
- Employees prefer to be consulted about change (Beckhard & Pritchard 1992; Robbins et al. 1998; Ivancevich & Matteson 1996).

Here are some pointers for putting these principles into practice:

- Don't simply send an email or memo about the change and expect that people will understand and comply.
- Don't announce/introduce change as a *fait accompli* – if people are surprised by what you are planning, you have not planned it properly.

- Ask for and openly accept responses, comments, suggestions from staff.
- Talk to people face-to-face, individually and in groups, and offer opportunities for further discussion.

It is in management's interest to surface employee misgivings.

9.7.2 Participation and involvement

Feelings of personal control can develop from having more information. Similarly, if you can agree on an action plan in collaboration with the resisters, then you are more likely to make progress. The following shows the significance of communication:

Few people-based change initiatives realise their maximum potential, difficulties arise in the timing of specialist involvement, wasted time in areas of responsibility overlap with negative debate, communication is often cited as having been poor or incomplete, measures and intent are often not well aligned and considered late in the process (Pritchard 2007:218).

This strategy is essentially the same as consultation about change. Consulting staff about change obviously gives them opportunities for involvement. This strategy is constructive and is entrenched in the APS Code of Conduct and Values which states that employees must be consulted about changes that affect them in the workplace.

9.7.3 Facilitation and support

In times of change, employees need emotional support to deal with any concerns they have about not being able to cope with the change, use the new system, or even keep their job. If there are difficult and challenging changes, employees need to be able to talk about their fears, anxieties, anger or resentment. An Employee Assistance Program (EAP) may be appropriate at this point.

9.7.4 Negotiation and agreement

This strategy involves bargaining over various aspects of the change and making trade-offs to accommodate the concerns of those affected. Negotiation and agreement with avowed resisters can help.

9.7.5 Manipulation and co-optation

Basically this strategy means engaging support. It involves trying to persuade or influence someone towards the change, for example, existing members of a committee inviting another employees to join the committee. Managers could use this strategy by polling staff and trying to persuade those who are resisting to 'come on board' and join the rest of the group.

Sometimes managers covertly steer individuals or groups away from resistance to change. They may manipulate workers by releasing information selectively or by

consciously structuring the sequence of events. Or they may co-opt individuals, perhaps a vital person within a group, by giving them a desirable role in designing or carrying out the change.

According to the *Oxford dictionary*, ‘manipulation’ means either to handle with skill or to manage to your advantage, especially unfairly. As a change strategy this means trying to manipulate staff to get involved in the program. If this gives the manager an unfair advantage or disadvantages the other parties involved then it is clearly not acceptable.

9.7.6 Explicit and implicit coercion

Coercion, or coercive power, is the use of fear to influence others. Fear is generated by making direct or indirect threats (Robbins et al. 1998). This strategy is not recommended, although it is used often enough to make it a serious concern in some work environments (Kieseker & Marchant 1999). It constitutes bullying or harassment and is unwarranted, illegal and ultimately ineffective. This strategy will overcome resistance. But it will also result in unintended, undesirable consequences in the longer term, including dissatisfaction, resentment, low morale and high turnover.

Coercion should be distinguished from power to gain compliance. Managers have positional power, which is the legitimate authority inherent in their role (Robbins et al. 2008). There may be times when using this power is appropriate.

9.7.7 Selecting the Appropriate Technique

Overcoming resistance to change involves a selection of techniques. They are contingent on the situation as shown in Table 9.4.

Table 9.4 Ways of overcoming resistance to change

Approach	Commonly used when	Advantages
Education and communication	There is a lack of information or inaccurate information	Once persuaded, people will often help implement the change
Participation and involvement	The initiators do not have all the information they need to design the change, and others have considerable power to resist, or initiators see that involvement can create ownership	People who participate will be committed to implementing changes, and any relevant information they have will be integrated into the change plan
Facilitation and support	People are resisting because of adjustment problems	No other approach works as well with adjustment problems, example training
Negotiation and agreement	Some person or group with considerable power to resist will clearly lose out on the change	Sometimes it is a relatively easy way to avoid major resistance

Approach	Commonly used when	Advantages
Manipulation and co-optation	Other tactics will not work, or are too expensive	It can be a relatively quick and inexpensive solution to resistance problems
Explicit and implicit coercion	Coercion should not be used if at all possible. It may, however, be the last resort	It is speedy and can overcome some sources of resistance

Source: adapted from Robbins et al. 2008:651-652.

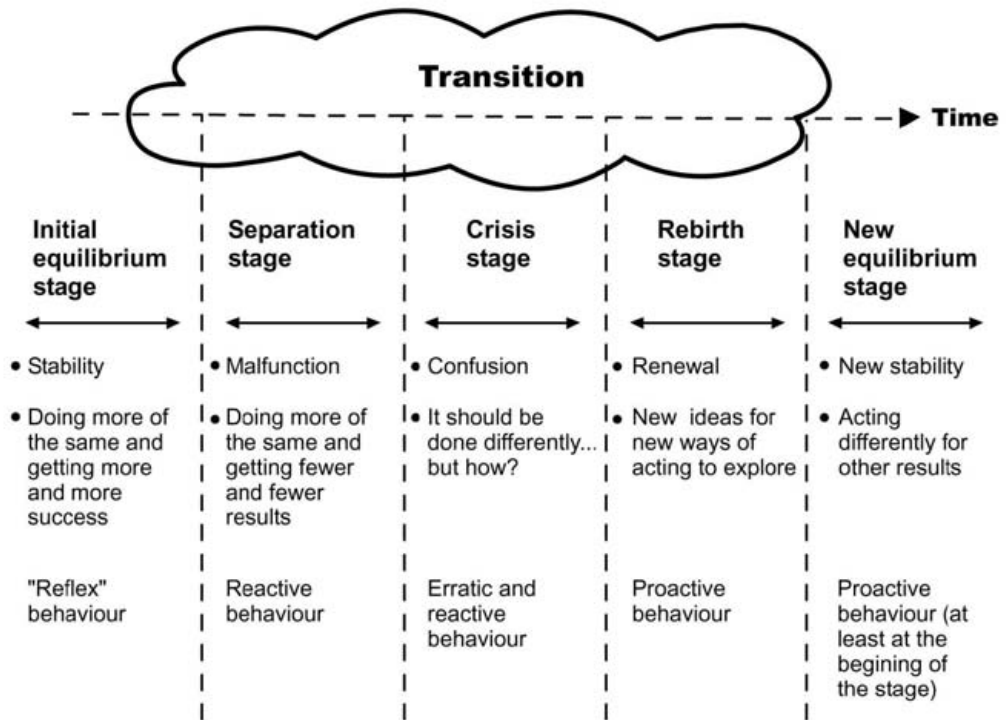
Resistance is not necessarily a ‘bad thing’. It may indicate that something is wrong with a proposal or that the presentation and communication of the change are not effective. Generally, managers and change leaders must be prepared to determine why there is resistance and work towards overcoming it. Expressions of resistance may reflect genuine and knowledgeable reservations about the proposal based on direct experience and can also serve as an antidote to ‘groupthink’ where all individuals are in agreement, to the detriment of a sound solution. Risk management has a role here.

9.8 Transition

Change triggers a process in each person called transition. This is a psychological reorientation that individuals pass through before the change can happen (Bridges & Mitchell 2000). Transition is individual, slow and progressive; it is not marked out in time. It goes on in people’s ‘guts’ (Nortier 1995). Internal transition takes place in parallel with the external change, as illustrated in Figure 9.6.

During change, people may ask questions such as: ‘How can we get the same results with only half our head count?’, ‘Where will I fit in the new team?’, ‘Will I be able to learn the new system?’, ‘Can I deal with face-to-face client contact?’. These questions may not be articulated or even conscious, they may be presented in subtle ways, or they may appear as resistance.

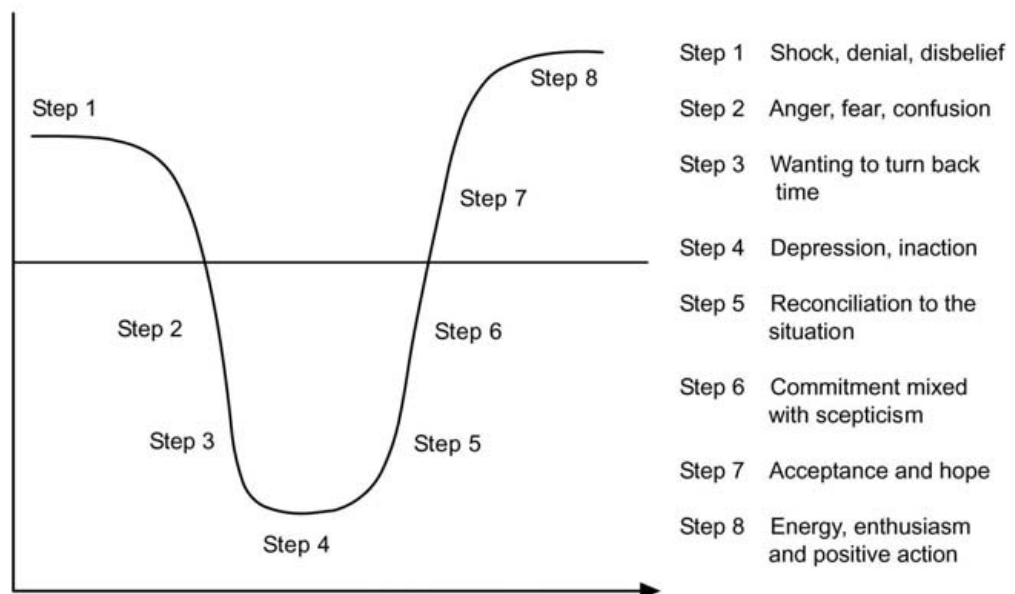
Figure 9.6 Transition stages



Source: Nortier 1995.

During these transition stages, people experience fluctuating thoughts and emotions, as shown in Figure 9.6, which portrays a pattern in employee response to significant change. This generally follows changes that are perceived as negative or threatening. You can see that the low point in the curve in Figure 9.7 equates to the crisis stage in Figure 9.6.

Figure 9.7 Feelings involved in transition



Source: adapted from Scott & Jaffe 1989 in Robbins et al. 1998; St Amour 2001, Weisinger 1998.

Managers need to be aware of the range of feelings that staff may experience, provide support and give opportunities for communication at each stage.

9.8.1 Three Components of Transition

Ogilvie (2004:50) presents the transition theme in a slightly different way:

1. Endings: Letting go of the past

Change always starts with an ending. Only when you let go of the past can you start to focus your energies and attention on the new situation. Because endings can be painful – even when they are inevitable you may cling to the old, refusing to make the break.

2. Transitions: The in-between phase

This is a neutral zone where you may experience a sense of unreality, confusion or emptiness, or go through the motions of life as you would in a state of shock. But, eventually, a sense of hope starts to emerge, and you head into the final phase.

3. New beginnings: On the move again

You're moving forward once more. You start to think and plan for the change, and set new goals. You can now redirect energies previously devoted to resisting the change into constructively dealing with it.

These three are explained in more detail next.

9.8.2 Ending (3 Ds)

In order to move successfully to a new position, take up a new role, or work in a new situation, individuals must let go of the old position, role or situation. Such letting go can be very painful. It involves disengagement, dis-identification and disenchantment, as shown in Table 9.5.

Table 9.5 Disengagement, dis-identification and disenchantment in transitions

Stage	Description
Disengagement	Disconnecting from the situation; separating from the familiar. People may grieve for what has been left behind.
Dis-identification	For example, when people retire, they can be faced with disturbing questions about who they are apart from the role they had at work. Through transfer, or even promotion, people may be required to give up their professional identity, leading to uncertainty about who they are.
Disenchantment	Loss of meaning is disenchantment.

Source: adapted from St Amour 2001, Nortier 1995.

9.8.3. Transition (3 Ds)

Most organisations, when going through a period of change, try to move people quickly into a new beginning. This can be counter-productive. People need to acknowledge and let go of the past before they can move on to the future.

The transition phase involves disorientation, disintegration and discovery as explained in Table 9.6.

Table 9.6 Getting through the neutral zone

Stage	Description
Disorientation	This is an interim period between a situation that is no longer appropriate and another that does not yet exist. A neutral zone where the old reality has gone, and the new one has not appeared.
Disintegration	The transition phase is where 'everything has fallen apart'. The breakdown of the old structure creates a sort of vacuum. If people can recognise this as a transition-generated condition that will pass, most will be able to ride it out. There may be a tendency to 'awfulise' at this stage. 'I'll never learn the new system.' 'This team will never work.' 'I can't cope.'
Discovery	People in transition need a period where they have 'time out' from their usual situation, to think about their changed circumstances. Discovery can only come when the time is ripe. <i>People cannot be forced through this period.</i>

Source: adapted from St Amour 2001, Nortier 1995.

9.8.4 Beginning (3 Is)

Just as transition must begin with an ending, it must also end with a beginning. Table 9.7 explains the phases of inner realignment, investment and internal equilibrium.

Table 9.7 Recovering and starting over

Stage	Description
Inner realignment	Reorientation begins with discovery and proceeds to an inner realignment. Individuals: adopt new objectives and plans, start to think in terms of new priorities, make new plans for the future, and see themselves in their new roles.
Investment	The energy previously invested in the old situation in limbo during transition is now available for the new situation. The inner process of dealing with the pain of ending, the disorientation of the transition phase and re-investing energies to make a new beginning is called mourning
Internal equilibrium	A fresh state of equilibrium is established where adaptation has taken place

Source: adapted from St Amour 2001, Nortier 1995.



Required Reading 9.2

Stanleigh, M 2008, 'Effecting successful change management initiatives', *Industrial and Commercial Training*, vol. 40, no. 1, pp. 34 - 7.

This reading reinforces the necessity of recognising and adapting to individual responses to change. It reinforces well-known change management techniques revolving around recognising and galvanising people.



Activity 9.5 – Test what you have learned about change and transition

Bridges (1995) gives a list of actions to support employees through transition. The list is not in any particular order. There is evidence that some are more useful than others. Indicate which ones are likely to be of most use, some use, and little or no use, based on material presented in this topic.

Action to support employees through transition	Most use	Some use	Little or no use
1. Come up with a compensation/reward system to encourage compliance with the change			
2. Find out who amongst staff stands to lose something under the new system			
3. Put team members into a situation where they can experience the problem first hand			
4. Issue a new organisation chart			
5. Print up new badges, logos and wall posters promoting the change and giving information about it			
6. Look at whether moving desks or office space would help			
7. Talk to individual employees and find out how their current attitude and behaviour will need to change to comply with the new system			
8. Issue a memo explaining the change and requesting compliance			
9. Threaten disciplinary action			
10. Talk to individuals, find out what problems or concerns they have with the new system			
11. Take staff to visit another agency where the new approach is effective			
12. Bring in a guest speaker to motivate staff to change			
13. Send staff to training			
14. Invite staff to solve the problem			

Source: adapted from Bridges 1995.

9.9 Learning from Change and Innovation

In public service delivery organisations, a new idea might emerge in one work unit and then be disseminated to other units (Ekmekci & Turley 2008). Innovation has three main components:

- novelty
- practical application
- notable benefits (Ekmekci & Turley 2008).

Taking health care as an example (after Ekmeki & Turley), we see that barriers to innovation here include:

- difficulty of changing clinicians' behaviour
- medical practices are well-entrenched
- practice boundaries are dictated by legal, regulatory and professional guidelines
- organisation habits, norms and culture are pervasive
- blame arises from autonomy and reputation of professional staff (Ekmekci & Turley 2008).

The following looks at some of the public sector specific issues around change and innovation.

Table 9.8 Diagnosing complexity of problems and risk of solutions in achieving innovation

Category	Factors	Evaluation
Perceived complexity of the problem depending on the scale of these factors	size of operational impact on your unit	
	impact on other units, departments or organisations	
	within the bounds of manager's authority realm	
	compromise to client/staff safety	
	clarity about guidelines, regulations and requirements	
	amount of data that needs collecting and analysing	
	legal implications	
	frequency with which problem occurs	

Category	Factors	Evaluation
Perceived risk of the solution, based on the likelihood of these factors	legal consequences	
	client/staff safety	
	non-compliance with regulations	
	damage to own or unit's image	
	eroding staff morale	
	drop in client satisfaction	
	approval or support needed from others	
	jeopardising relationships	

Source: adapted from Ekmekci & Turley 2008:7

Bureaucracy stifles innovation. It is easy to see why small start-up companies, contractors to the public sector, or small pockets of the sector acting independently have been successful innovators. They don't have to deal with the hierarchical structure and the large number of players in established large organisations (Strategic Direction 2008).

9.10 Evaluation

Some aspects of evaluation are incorporated at the beginning, in the planning stage. In a systematic and open-systems approach to change, evaluation may well lead to change management being initiated again. If there is no formal evaluation of the change and the processes used, then technical and emotional closure may not be achieved. Managers should take responsibility for evaluation, even this is not part of the originators' plan. It may be as simple and informal as making it an agenda item for a staff meeting, making brief notes on positives and negatives, and feeding this information back to the appropriate management level.

Not only does evaluation constitute sound change management, but it allows for the people factor. Feedback includes consultation and communication with employees about the consequence of the change.

9.10.1 Organisational Development Approach to Change Evaluation

Organisational development (OD) is a way of looking at change and measuring its consequences. The value of OD is that it takes into account the people side of change but also uses sound ideas about measurement (Alpander & Lee 1995).

The steps in OD evaluation are:

1. Review objectives
2. Review the steps taken in the change process
3. Compare 'before' and 'after'
4. Have a control group
5. Measure the effects of the change
6. Detect any unintended consequences



Activity 9.6 – Revisiting the Grampians Water case and applying material from this change management topic

Pyman, A Mathieson, I Craig, A & Doherty, K 2004, 'Water industry reform – stopping the leaking tap?'

Review the case introduced in *Topic One*, and then answer these questions about change and innovation.

1. How would you classify the change(s) in the case using the Dunphy-Stage model?
2. What other knowledge about change management that you have learned from this topic could you apply to this case?

9.11 Summary

In summary, change is seen as learning. It is continuous and is driven by many factors including ideology, globalisation, technology and demographics. Types of change can be classified as fine tuning, developmental/incremental, transitional or transformational, depending on the scale. The management style adopted to bring about the change also contributes to this classification and can range from dictatorial to consultative. Public sector organisations in Australia have typically made changes that are categorised as task focused transitions.

Kotter's model of planned change requires seven factors be present. If any one or more is missing, certain 'symptoms' of ineffective change will materialise. The seven factors are: pressure for change; a clear, shared vision; capacity for change; actionable first steps; modelling the way; reinforcing and solidifying the change; and evaluation and improvement.

Individual sources of resistance to change are: habit, selective information processing, fear of the unknown, economic factors and security. Organisational sources of resistance are group inertia, limited focus of change, threat to established power relations, threat to resources, structural inertia, and threats to specialist expertise.

Six techniques for overcoming resistance to change are: education and communication, participation and involvement, facilitation and support, negotiation and agreement, manipulation and co-optation and explicit and implicit coercion.

Change is a process that is external to the individual, but triggers an internal process called transition. The transition phase is a psychological reorientation that individuals need to pass through. Transition is individual, slow, progressive and not marked out in time. It may involve the following steps: shock, denial, disbelief; anger, fear, confusion; wanting to turn back time; depression, inaction; reconciliation to the situation; commitment mixed with scepticism; acceptance and hope; and energy, enthusiasm and positive action.

The steps in organisational development evaluation are: review objectives, review the steps taken in the change process, compare 'before' and 'after', have a control group, measure the effects of the change, and detect any unintended consequences.



Review

Having completed this topic, you should now be able to:

1. Discuss the nature of change.
2. Identify drivers of change.
3. Outline seven steps in any change plan.
4. List and define sources of resistance to change and how to deal with them.
5. Describe employee's internal transition as part of a change process.
6. Evaluate change.
7. Discuss how to evaluate change using the organisation development (OD) method.



Required Reading

Reading 9.1 Moore, M & Hartley, J 2008, 'Innovations in governance', *Public Management Review*, vol. 10, no. 1, pp. 3–20.

Reading 9.2 Stanleigh, M 2008, 'Effecting successful change management initiatives', *Industrial and Commercial Training*, vol. 40, no. 1, pp. 34–7.



Further Reading

Marks, ML 2007, 'A framework for facilitating adaptation to organizational transition', *Journal of Organizational Change Management*, vol. 20, no. 5, pp. 721–39.

Do we already know everything there is to know about change management? Almost without exception, organisations and their managers forget about the human side of change. 'Old fashioned' material about change used to explain the waves and cycles of human emotions that change triggers. It is timely to revisit these ideas about how people adapt to change.

Turner Parish, J, Cadwallader, S & Busch, P 2008, 'Want to, need to, ought to: employee commitment to organizational change', *Journal of Organizational Change Management*, Vol. 21, No. 1, pp. 32–52.

It would seem that one enduring characteristic of individuals is resistance to change. This reference complements our study on human response to change.



Topic 9: Required Reading

Moore, M & Hartley, J 2008, 'Innovations in governance', *Public Management Review*, vol. 10, no. 1, pp. 3–20.

Abstract

This article explores a special class of innovations - innovations in governance - and develops an analytical schema for characterizing and evaluating them. To date, the innovation literature has focused primarily on the private rather than the public sector, and on innovations which improve organizational performance through product and process innovations rather than public sector innovations which seek to improve social performance through re-organizations of cross-sector decision-making, financing and production systems. On the other hand, the governance literature has focused on social co-ordination but has not drawn on the innovation literature. The article uses four case studies illustratively to argue that innovations in governance deserve greater attention theoretically. Further, it argues that five inter-related characteristics distinguish public sector innovations in governance from private sector product and process innovations. Innovations in governance: go beyond organizational boundaries to create network-based decision-making, financing, decision-making, and production systems; tap new pools of resources; exploit government's capacity to shape private rights and responsibilities; redistribute the right to define and judge value; and should be evaluated in terms of the degree to which they promote justice and the development of a society as well as their efficiency and effectiveness in achieving collectively established goals.

Key words

Innovation, governance, public value, partnerships

INNOVATIONS IN GOVERNANCE

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INNOVATIONS IN GOVERNANCE AS AN EMERGING RESEARCH AGENDA

Recently, there has been a great deal of both professional and scholarly interest in “innovation” in the public sector (Altschuler and Behn 1997; Borins 1998; Hartley 2005; Moore 2005, Mulgan and Albury 2003; Albury 2005; National Audit Office 2006). Innovation is seen as a key means to go beyond the quality improvement approaches of the 1980s and 1990s into a step change in the overall efficiency, effectiveness and responsiveness of government and public service organizations. While some analysts focus primarily on innovation as a contribution to improving service “delivery”, others also recognise its potential for reclaiming some legitimacy of government as a value-creating institution, by being more responsive to the needs and aspirations of citizens and users of services.

For their part, public management scholars (Hartley 2006; Osborne and Brown 2005; Landau 1993; Walker *et al.* 2002, Koch and Hauknes 2005; Moore 2005) discuss what constitutes public sector innovation, what sorts of changes in government¹ count as important innovations, how much innovation occurs, whether it is sufficient for a rapidly changing society, and what structures and processes promote or retard innovations.

Our focus in this article is on a special class of innovations in the public sector that we want to characterize as “innovations in governance”. These innovations differ from standard intra-organizational innovations in products, services, and production processes in at least two important senses. On one hand, the innovations are conceived and implemented above the organizational level: they involve networks of organizations, or the transformation of complex social production systems rather than changes solely within a particular organization. On the other hand, these innovations focus not only on concrete changes in what particular things are produced through what particular production processes, but also on the ways in which productive activity is financed (or more broadly, resourced), the processes that are used to decide what will be produced, and the normative standards used to evaluate the performance of the social production system.

Importantly, when we turn to the literature for guidance about how to understand such innovations, we find a gap. The innovation literature (for both private and public sectors) helps us understand what counts as an innovation. That literature makes it clear that innovations have to be more than mere ideas: innovations are *new ideas and practices brought into implementation* (e.g., Tidd *et al.* 2005; van de Ven 1986; Wolfe 1994). They are therefore different from inventions (Bessant 2003). Some commentators also add that an innovation is different from continuous improvement or other minor changes. For example, Lynn (1997) argues that: “*Innovation must not simply be another name for change, or for improvement, or even for doing something new lest almost anything qualify as innovation. Innovation is properly defined as an original, disruptive, and fundamental transformation of an organization’s core tasks*”. In this formulation, innovation is a step change for the organization (see also Utterback 1996). Moore and colleagues (1997)

argue that innovation is “*large enough, general enough and durable enough to appreciably affect the operations or character of the organization.*” Innovation may also include reinvention or adaptation of an innovation in another context, location or time period (Rogers 2003; Thompson 1965).

What is interesting about this literature for our purposes is that much of it is focused at the organizational level of analysis, with innovation viewed as important changes in what organizations produce and deliver – not necessarily changes in structures and processes operating above the level of a single organization, and focusing on financing, decision-making, and evaluations of performance as well. If, then, there were marked changes in how a particular socially important result was being produced, and that was created by a re-organization of a wider social system that governs production in that broader domain, then that literature would have developed to reflect and understand how changes could be introduced in these broader social decision-making and production systems.

When we turn to the governance literature, in contrast, we find a literature that is attuned to an analysis of the broader social systems that guide, finance, and produce large social outcomes. Kooiman (2003), for example, has defined governing as “*The totality of interactions, in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities; attending to the institutions as contexts for these governing interactions; and establishing a normative foundation for all these activities*” (p. 4). Government, as an important governance institution, is able to use its powers to convene actors from different sectors, and to both regulate and finance their activities, might play an important role in introducing innovations in the (social level) governance of the social production systems. But this literature does not hone in on the precise ways in which the outputs and production processes of the (social) production system have been altered by a change in governance arrangements, nor the methods that were used to bring this new governance system into existence, and to sustain its operations. In short, the governance literature misses the detailed operational focus that characterizes the innovation literature.

The gap in the academic literature on innovations in governance, noted by Hartley (2005) is unfortunate, for the practical world seems to be producing a great many innovations of this type. Indeed, we seem to be going through a revolution in the governance of public production systems as governments seek to reach beyond their borders to find additional resources, additional operational capacity, and even additional legitimacy to achieve their assigned goals. Some of the innovations involve changes in organizational level governance, for example, a school is required to establish a parents’ council that can oversee its operations, or patients in public hospitals are given increased powers to voice their concerns about service quality. In other situations, the innovations involve new ways of knitting elements of different organizations together to create a more effective problem-solving approach to a given problem (Skelcher 2005). Hill and Lynn (2005) argue that “the focus of administrative practice is shifting from hierarchical government towards greater reliance on horizontal, hybridized, and

associational forms of governance'. These shifts, in line with other changes associated with 'networked governance' (Benington 2000; Newman 2001) have implications for management, both in terms of organizational and inter-organizational processes and potentially performance.

Hierarchical government has been able to harness the use of state authority as well as resources to achieve outcomes, sometimes coercively (e.g., through legislation about taxation and military powers) and through its claim to have a democratic mandate. The shift to achieving societal goals through partnerships with the private, voluntary and community sectors means that influence becomes a significant strategy as well as (sometimes instead of) formal hierarchical authority (Hartley and Allison 2000). This has implications for the ways in which managers undertake their tasks and for the organizations, partnerships and networks within which they do this. Hence innovations in governance become important to analyse as well as service innovations.

The gap in the literature is not hard to fathom. Both academics and professionals who have sought guidance about how to produce value-creating innovations have generally turned to the private sector for inspiration and guidance. They do so for two reasons. First, the private sector tends to give innovation a more prominent place in improving performance than government has done. Second, there is simply more scholarship on private than public management. Consequently, in seeking scholarly guidance about the role of innovation in improving governmental performance, and the processes that can foster value creating innovation, one naturally turns to the private sector literature. However, the private sector literature has not examined innovations in governance (Hartley 2005). Many of the innovations which concern the public sector are not the process and product innovations that have been the meat and potatoes of innovation in the private sector. They are, instead, innovations designed to re-shape a broader social system that not only produces public goods and services (and in doing so, to transform aggregate social conditions in socially desirable ways), but also provides the financing and material to produce these results. They also shift the location of decision-making authority over the new system to determine how the benefits and burdens of that new system will be distributed.

Evidence that 'innovations in governance' have been an important part of the overall level of innovation in government is not hard to find. Most descriptions of important innovations in government tend to focus on these kinds of innovations as well as product and process innovations. Evidence that innovations in governance have given the academics trouble comes from the fact that when the theoreticians seek to categorize different kinds of innovations, they often start with the familiar product, process, and technology categories, but end up having to create some kind of residual category. Walker *et al.* (2002), for example, include the concept of 'ancillary innovation', defined as that which involves 'organization-environment boundary innovations'. Mulgan and Albury (2003) talk about 'systemic innovation' which result from or are based on the development of new underpinning technologies (or production systems) and/or organizational forms necessary to sustain and guide these

new production systems. On the other hand, Hartley (2005) includes governance innovations in the dimensions (not categories) of innovation. These include changes to institutional forms of government (such as the devolution of power from national government to newly established governments for Wales and Scotland) and changes in organizational form and arrangements for the planning and delivery of services (e.g., privatization, new collaborative arrangements between the public and private sectors) as well as those innovations that provide for greater public and/or user participation in service design and delivery, and in the use of boards to govern particular choices and services (e.g., school governing bodies).

Method of enquiry

The purpose of this article is to initiate a more sustained, detailed investigation into this particular class of innovation that seems to be both very important in government, and less well understood by the private sector literature.² The method is to look closely at a small number of public sector innovations (based on documentary evidence, obtained from teaching cases and from official reports and the media) that seem to fall within the broad set of innovations in governance, taking care to ensure that the selection of the cases includes some important variants. We do not offer these cases as reliable histories of events, nor complete evaluations of their social impact. Nor do we offer these cases as a representative sample of innovations. We offer them, instead, as particular instantiations of innovations in government that do not seem to fit the accepted frame of product and process innovations discussed in relation to the private sector. They provide an opportunity to explore these apparently anomalous forms of innovation. The value of the cases lies in their ability to challenge our conceptual thought, not in their historical accuracy or representativeness. From the cases we develop five propositions about how innovations in governance are distinctive from product and service innovations.

INNOVATIONS IN GOVERNANCE: SOME ILLUSTRATIVE AND CHALLENGING EXAMPLES

Contracting with community groups for Child Protection Services

The Massachusetts Department of Social Services was experiencing considerable difficulties in achieving the goals of their Child Protection Services (CPS) programme. Preventing abuse and neglect of children had to be addressed within financial constraints and with due regard for the privacy of families and the rights of parents. As the agency sought to balance the interests of the care of children on one hand and the rights of families and parents on the other, it made decisions with negative consequences of two

kinds: failing to intervene where abuse or neglect was subsequently found, and intervening where the cases turned out not to require action. The difficulty of making the appropriate response in circumstances that are inherently complex, dynamic, and unpredictable (c.f., Hoggett 2006), as well as the sensitive and ambivalent nature of the issues involved, meant that the CPS suffered from a chronic threat to its legitimacy and effectiveness.

Such problems were particularly marked among immigrant communities of Boston. Many did not trust the intentions, methods or procedures of the CPS. They thought that the CPS did not adequately understand the culture of local communities, which affected what constituted good and bad parenting in that context. They did not think the Agency obtained accurate information from individuals about family conditions or interpreted it properly. They did not think the agency had much to offer them when there were instances of abuse and neglect.

Faced with this perceived crisis in the performance and legitimacy of the CPS, which was also in serious financial difficulty, the Massachusetts Department of Social Services developed an “innovative” approach which was based on contracting out the service and which implicitly shifted the governance arrangements through delegating the responsibility for receiving and responding to complaints about child abuse and neglect to community-based organizations because they enjoyed much closer connections to, and much greater legitimacy with, immigrant communities. This seemed innovative not least because it tapped into a wider set of capacities and resources than the agency possessed: local knowledge of the customs and mores of parenting, ability to obtain and interpret information about conditions within a family, and a capacity to make interventions that would feel appropriate and useful to the affected parents and children.

However, behind this change lay some troubling questions for the observer. For example, was the state delegating either the *de facto* or *de jure* right to define what constituted abuse and neglect to a community-based organization? If not, what decision-making and administrative systems would ensure that the community-based organizations applied CPS standards accurately and consistently? What would happen to the legitimacy and effectiveness of the community-based organization if it was required to enforce CPS standards of care and intervention? Would such a move undermine exactly the kind of innovativeness that the state was seeking through this contract?

To make the arrangement workable, both organizations had to learn to recognize their own and the other party’s interests and negotiate differently. The government agency had begun with the goal of contracting out child protection services, defined largely in terms of hearing and responding to complaints about child abuse and neglect. The community-based organization defined its interest in persuading the CPS to give it money for the provision of services to clients, without taking responsibility for setting and enforcing standards. In fact, these views dominated the actual negotiations and led to a contract that was somewhat cynical on both sides: the CPS claimed to have widened responsibility for abuse and neglect services (while actually shifting its

responsibilities and lowering its costs) and the community-based organization accepted this responsibility but without really taking the full responsibility for doing the work, or accurately pricing the level and activities required. The inadequacy of the contract was exposed later when a child in the care of the community-based organization was found to have been seriously abused. A formal investigation showed that the community-based organization had not, in fact, taken the kind of consistent responsibility for the care of children that the CPS claimed to have contracted for.

This case illustrates that innovation does not necessarily lead to improvement (see also Hartley 2005, for this distinction). There was potential for an innovation which would have enhanced public value (Moore 1995; Benington and Moore forthcoming) by paying explicit attention to the governance as well as the service innovation. Such an innovation would need the community-based organization to organize a community-based discussion about problems of abuse and neglect and ways to address child protection. It might have orchestrated such a discussion either on its own, or with the CPS and possibly other interested stakeholders. Then, following that community-based discussion, a whole system of prevention and intervention involving individual and collective, community-based and governmental action, might have been developed. The difficulty for the CPS was that it had been unable to focus on this as an innovation in governance arrangements because they would only contract for service or process innovations in child protection.

Private partnerships to support New York City's parks

The New York Park system was once one of the glories of life in New York. Initially conceived in the mid-nineteenth century by Frederick Law Olmsted as oases from urban squalor, and then extended as a wide network of easily accessible green spaces, New York's parks had long been a refuge for city dwellers. By the late 1960s, however, the parks were falling into disrepair. The gardens were trampled; trees were vandalised, the greenswards were dusty and littered; the recreational equipment broken. They were less often and less widely used because they seemed, and actually were, increasingly dangerous.

The city government parks organization had become overwhelmed, with insufficient financial and staff resources to run the city's parks. It could not rely on citizens to use the parks well nor could it generate public commitment to the parks. Senior managers decided on a new approach. Instead of the organization acting as though it was the only body responsible for the parks, they decided to reach out for partnerships with citizens' groups, to encourage a greater interest in the parks in exchange for somewhat greater control over what happened within them. The partnerships they created took different forms in different parks but in each case citizen groups were invited to contribute direct resources to the park. This was not through taxation (which ensures that the costs of park maintenance are fairly distributed amongst all citizens, but which reduces the perception of a personalised effect of contributions). Instead voluntary contributions of

time and money to particular parts of, or particular activities within, each park were solicited. From one perspective, such partnerships might be viewed as “selling” a piece of the public park to a particular set of users in exchange for an additional voluntary contribution of labour or money. In practice, the newly renovated parks and the new, jointly sponsored activities were not exclusively for the contributors; because they were (at least in principle) still available to all. The volunteers may have felt particularly attached to the park renovation and they may have felt some special entitlements to use the space, and to host those who came to use the parks. But the parks retained their public character in that they were free to all and the overall set of uses for the parks did not change.

Through these partnerships, the NYC Parks bloomed again. They became prettier, safer, and much more widely used without costs to government increasing. Arguably, the public value of the parks had been enhanced. On the other hand, the commitment of voluntary time and resources created a certain degree of informal moral agency and claim over influencing the debates over public purpose, as we will explore later.

Congestion charging in London

London is widely viewed as a world city, the powerhouse of the British economy, and an international gateway for investment and tourism. Yet it has been dogged by an inadequate transport system which is seen as limiting economic growth and the quality of life of its citizens, workers and tourists. A combination of problems (under-investment in public transport, deterioration of the railway system following privatization, fragmentation of decision-making about infrastructure including transport planning and provision) had left London at the turn of millennium with traffic congestion problems on a major scale. Private and commercial vehicle use in central London had become slow and unpredictable, affecting business and leisure time. Public transport was unreliable, giving car drivers little incentive to use public transport instead.

The development of an innovative solution partly in the form of congestion charging, came from a particular combination of circumstances. The Transport Strategy was developed in recognition by politicians and managers that four factors coincided in a way which meant that it was possible to start to resolve London’s transport crisis. First was the innovation in governance of the establishment of devolved government for London as a city. The new Greater London Authority, with a directly elected mayor with a manifesto about improving transport and travel, gave a strong democratic mandate to tackle transport problems. In addition, at the same time, London’s transport services were integrated through the establishment of a new organization, Transport for London, (a strategic innovation which underpinned part of the governance innovation). Third, the central government, still newly elected, provided a level of financial resources which helped to tackle chronic under-investment. The fourth element was the hiring of key senior international managers with a proven track record of tackling transport problems. Each of these elements can be considered an innovation in their own right, and these

were used together to develop an innovative strategy to tackle congestion in central London. A charge was introduced, from February 2003, for using a vehicle (other than taxis) in the central eight square miles of London during the day. This was the first time for generations that roads in London had been subject to a toll for use.

The approach faced a number of political and technical/operational problems initially. Establishing a consistent and fair way of warning travellers of imminent entry into the charging area, and monitoring road use so that the charge could be applied were important. So was ensuring that payment and enforcement was effective, efficient and feasible, with travellers having access to information about other forms of travel. There was also a challenge to ensure longer-term viability of the scheme, and encourage behavioural changes in the travel habits of the millions who lived or worked in London.

The political challenge was to create a vision and mobilise for the proposed changes, with long-term commitment to the innovation. When the policy was first proposed by the Mayor, chaos and disaster were predicted by the opponents of the scheme and even ordinary Londoners were sceptical about whether it would work. Civil disobedience, traffic gridlock in the area just outside the charge zone, and intolerable pressure on the bus, underground and rail networks were all predicted. The plans of the elected mayor and the newly devolved Greater London Authority, along with Transport for London were all put under the spotlight by the media, and by lobbying groups, though some groups were supportive. Politicians took time and care to outline London's problems, to explore options and to listen to concerns about the new scheme. Managers held consultation events around London to learn about the ways in which different groups might be affected. An important issue was to ensure that congestion charging shaped travel behaviour in fundamental ways not just raise funds for the city. In other words, citizens and visitors had to learn to adapt to the new system. Since the introduction of charging, car traffic has reduced by about 30%, business has benefited from shorter and more reliable journey times, public transport has (largely) coped, and cycling has increased.

Elder care in Singapore

Singapore's highly centralised national government is committed to, and has achieved, dramatic economic growth fuelled by foreign direct investment. Among the conditions that attract investment was a government that protected private property rights, and that could promise labour peace. Partly to achieve this, government guaranteed access to high quality housing, which was highly prized by families.

Economic development gradually produced strains on the social and governmental structures. There was an increasing demand for governmental processes that were more open and democratic – that allowed or encouraged debates about public policy, and made governmental actions more accountable. Also, as society became exposed to more individualistic Western cultures, social relationships in families were altered, and concern arose about an ageing population. Longevity was increasing, and despite the

decades of economic growth, it was possible that those who had created that growth would not be financially secure in retirement.

To many, the ageing population was not a problem because a well-established social custom located responsibility not on the individual or the state, but on offspring. They had a duty to attend to their parents' needs which had been strong enough to produce both reliable care from the vast majority of Singaporeans and vigorous informal criticism of anyone who seemed to abandon their ageing parents.

However, the customary system had always been incomplete (for example, what about elders with no children?). It had always been imperfectly enforced (there were some children who neglected their parents, and those parents had no formal right of action against their children). In addition, there was concern in government that customary duties were weakening under the influence of both Western ideas and a sense that the state would provide. It was conceivable that this customary system would break down, leaving many elderly people exposed to penury and loneliness.

This issue was taken up by an appointed legislator as his particular cause. He proposed a new public law to underpin the customary duty. The law required children to care for their parents in kind or by financial contribution, and gave neglected parents recourse to the law. It also allowed the state to pursue children who failed in their duty of care. The shift from the customary system to backing with statutory requirement and a right of action was a significant innovation.

PRELIMINARY CONSIDERATIONS

We think it is fair to say that these sorts of innovations differ from the product/service/process innovations that have been the focus of such extensive attention in the private sector literature. But many of the most widely remarked and celebrated innovations in the government sector seem to be of these broader, more structural types where production, financing, and decision-making are all moved around in a new configuration to reshape the system that determines what gets produced, how it gets financed, and whose values are given emphasis in guiding the process of social production.

How are we to understand these innovations? They seem to work (to varying degrees) in practice. But where do they fit in our theories of innovation? How might the analytic frameworks we use for characterizing and evaluating innovations have to be changed to accommodate these broader, more structural types?

Are innovations in governance really innovations?

Let's start by asking whether changes like the ones above deserve to be called innovations, and if so why. We can then turn to the question of what, if anything, makes them different from product/process innovations.

The innovations described above may logically entail, or create the conditions under which, many different process and product innovations can occur. For example, it is quite likely that the new governance arrangements in New York's Central Park will generate a wider variety of uses of the park ranging from gardening, to bird-watching, to ethnic festivals. Further, for each of these new uses (or services) a different production and financing system might be generated.

Similarly, the new system for governing the rationing of the roads in London might require the development of many new products and activities that permit the charging of individuals for travel – the technical arrangements that allow us to make what was once a freely used resource into one where use is more exclusive through noting who is using the product/service and charging them for it. But, while each of the governance innovations has dimensions of production and service innovation, that is not the whole story.

One can also raise doubts about the degree to which these ideas are genuinely new. The fact that these innovations seem to reach out to private associations and private individuals to accomplish public purposes does not seem particularly new. Society, acting with or without the help of government as its agent, has always relied on, or been shaped by, charity and civic action with or without the financial encouragement and direction of government. Similarly, we have long been accustomed to the idea that prices can be used not only to raise revenues for the seller, and to divide the value of creating a product or service that is desired by a customer between the producer and the user of that product and service, but also to ration limited supplies of a given product, and to channel the products and services to those who want it the most (conditional on their ability to pay). We have used this idea not only in the private market place, but also in managing the level and distribution of production for such utilities as water, electricity, and communications. So, it does not seem such a big innovation to use it as a device for rationing road use. And we have long understood that public purposes such as elder care could be advanced by requiring individuals to act in accord with public laws as well as by relying on existing moral commitments to induce individuals.

Still, what makes the cases interesting as innovations is that they do, in fact, change the location and resourcing of social production, and the level and distribution of things that could reasonably be called social or public goods and services. The level, character, and distribution of child protection services change as community-based groups are drawn into the process with government authorization and contracts. The fact that they are drawn into the production process gives them at least *de facto*, and perhaps *de jure*, roles in deciding what will be produced, for whom, and in what ways, with important consequences for both the parents (whose conduct is now monitored differently), and the children (whose welfare depends so much on the actions of parents). The level, character, and distribution of park services change as the new partnerships are initiated and sustained, and with those changes, an alteration in the observed character and utilization of the New York City park system. The level, character and distribution of

the London roads service changes when congestion charging is introduced. The level, character, and distribution of aid to ageing parents is altered when legislation imposing this duty on children is discussed, passed, and enforced through private and public means. And so on.

It is because these innovations change what gets produced, how the new products and services get distributed, how the burden of producing the services is borne, and what happens to the material conditions in society that these “innovations in governance” deserve to be taken seriously as innovations. If they did not produce these material changes in what is produced for whom, and how the aggregate social conditions are changed as a consequence, then they would not be interesting as an important class of social innovations.

FIVE WAYS IN WHICH THESE INNOVATIONS ARE DIFFERENT

The fact that these self-consciously constructed and introduced measures change the material processes through which society seeks to deal with particular problems make them innovations that are worth noting as innovations. From the point of innovation theory, however, what makes them particularly interesting is all the ways in which they are *not* like the innovations in products and services. They seem to differ in at least five, highly inter-related ways.

Bursting the boundary of organizations/creating network based production systems

First, the innovations described above seem to burst the boundaries of any particular organization, and to re-locate and redistribute where and how socially productive activity occurs. The contracts with community-based organizations shift the production of child protective services from a state bureaucracy to a network of community-based groups. The invitation to private agencies to contribute their efforts to the maintenance of the parks shifts both the production and use patterns of the park from one that was set by the Parks Department to one that is set by the Parks Department working in a network of partnerships. London’s congestion pricing system invites drivers in London to find other means for meeting the objectives they pursue by using London’s streets.

In each of these innovations, a particular organization stops being the sole locus of change. Further, the organization’s future success stops being the sole focus of evaluation. Instead, the focus of attention shifts from the analysis of what happens inside an organization to an analysis of a production system that crosses organizational boundaries, and sometimes (as in the case of both congestion pricing and the law mandating the care of ageing parents) reaches to the mobilisation of millions of decentralised individuals. The way in which the innovation is evaluated, then, is not in

terms of whether it increases the productivity or success of a given organization, but whether it succeeds in altering the broad social conditions that have become the focus of some collective concern. That collective concern could have previously been seen as the exclusive responsibility of a given governmental organization, but has now been transformed by the innovation into a problem to be solved by a much wider production system that stretches well beyond the resources that can be directly controlled by any given government organization.

Indeed, it is precisely this move to burst the boundary of an organization's hold on a given (and complex) problem that represents an important part of the innovation. As long as a given problem was held within a given organization, and as long as society relied on that bounded organization to solve the problem, the problem could not be fully addressed. It was only when the society, acting through the agency of government, decided to invite other actors into the solution of the problem that an important change could be made. These innovations are less organizational innovations, then, than system innovations that re-configure production systems for achieving a given social result.

Tapping new pools of financing, material resources and human energy

Second, in many cases, innovations in governance focus not only on changing production systems, but also on tapping new wellsprings of resources. Those new resources that are tapped can come in quite different forms. Some of the new resources involve specific bits of specialised operational capability that turn out to be valuable in achieving a particular purpose the government has in mind. In the case of the community partnerships for Child Protective Services, the State Agency hoped to tap into an asset that a community programme has naturally, and has further developed over time: namely, its established knowledge of, and legitimacy with, the local community. In the case of elder care in Singapore, the innovation is to strengthen a voluntarily contributed, private capacity to care for the elderly with a legal obligation that will, ideally, add force and consistency to a voluntary, customary practice.

Other times, the new resources come in a more fungible form; namely financial contributions. In the case of the New York City Parks, for example, an important part of the innovation seems to be allowing relatively wealthy New Yorkers who want their parks to be nice to make voluntary contributions of money. (The donors can make their contributions a bit less fungible than they first appear by conditioning their availability on an agreement that the government will use them in a particular way. But the specialization in the use of the resources comes via institutional agreements rather than as material aspects of the resources.)

Regardless of whether the resources come in the form of money, labour or material, and regardless of whether the resources are highly fungible or are specialized to some very specific purposes, one way that these innovations seem to work in helping to solve

public problems is by locating and mobilizing resources that were previously on the side-line or not fully exploited in the public effort.

Exploiting government's capacity to convene, exhort, and redefine private rights and responsibilities

Third, in seeking to mobilize more heavily resourced and more effective production systems than it could when it was operating only through existing government organizations with existing governmental resources, government relies on different instruments to accomplish its ends. In the classic form of government-led public problem solving, government assumes the full responsibility for defining a public purpose, mobilizing resources to solve it, and deploying those resources in the most efficient and effective way through a government agency. The principal operating instrument of the government is the taxes used to sustain the operations of a government bureaucracy. In the innovations described above government uses different instruments to achieve its results.

In the case of the CPS, it uses finances not only to support a government agency, but also to contract with a private organization. It does so partly because the organization already has some capacity that the government needs and cannot easily develop, and because it might be able to use moral suasion and the felt responsibility of the community group to make a greater contribution than it could buy from more professionalized or more commercial enterprises.

In the case of the parental support bill in Singapore, government uses state authority to compel those who might be tempted to stray from their customary duty to their parents, and gives vulnerable parents a right to action against neglectful children. The creation of such an obligation has to be accompanied by sufficient resources to ensure that cases brought by parents can be heard in state courts. But the principal asset of the state that is engaged is its authority to direct private action, and to mobilize the forces of informal social control to help enforce the obligation, a force that might be strengthened or weakened through the passage of the law.

In the case of the NYC Parks, the government attracts primarily money and some voluntary labour to improve conditions in the Parks, and it does so by allowing to private parties to make the contributions they wish to make and to earmark their funds for those purposes and places. The important and interesting change here is that the Parks department gives up its reliance solely on tax revenues in preference for accepting voluntary contributions to the parks, and in doing so, gives up its exclusive power to decide how the public parks will be maintained and used. As the price of accepting voluntary contributions, government must negotiate with private parties, and accept their ideas of what particular things they would like to do with the parks, rather than make decisions on their own about what the best or fairest use of the park resources would be.

In these innovations, then, government uses not only its money to animate and direct activity of its own employees or contractors but also uses its direct regulatory authority, and its hortatory, moral power to mobilize private actors to make contributions to public purposes. It also allows individuals to make contributions to what were previously wholly government controlled operations, and in doing so, allows the contributors to begin to make changes to the results of the public system.

Redistributing the right to define and judge the value of what is being produced

Fourth, the innovations described above seem to change the locus of “decision rights” over the use of particular assets in society. This seems to come as an almost inevitable consequence of changing organizational boundaries, and reaching out for private resources. When the state recruits private money and community organizations to its purposes, it seems to give up at least some of its power to define what should be produced, for whom, and in what way. The NYC Parks loses some of its iron control over what happens in the Parks. The CPS loses its iron control over what happens in the handling of instances of abuse and neglect. Because it seeks some voluntary help in both cases, those who provide the help can negotiate the terms under which their help is offered. Because they have the power to “exit,” their “voice” becomes more powerful in shaping governmental policy and action. They do not have to remain “loyal” to the government and its purposes.

On the other hand, the locus of decision-making and judgements about value have shifted in emphasis away from the individual to the state in relation to choices over free access (London) and the duty of care to elderly people (Singapore). Decision rights that used to be held by individuals in a private domain had been powerfully re-conditioned by government authority.

Evaluating the innovations in terms of justice, fairness, and community-building as well as efficiency and effectiveness

Fifth, because these innovations use government authority as well as government money, and because they re-distribute decision rights over the use of both publicly owned and privately owned assets, they invoke a different normative framework for evaluating the innovations we observe. In the classic case of private sector product/process innovations, the innovations are evaluated largely in instrumental, utilitarian terms. The important questions are whether the new production processes resulted in lower costs, or higher quantity or quality per unit of cost; whether the new product or service positioned an organization more effectively in its preferred markets; and therefore whether it increased the prospects for maximizing shareholder wealth (as revealed in increased public valuations of its stock price).

In the cases considered here, where the innovations seem to relocate either responsibilities for producing publicly valued results, or rights to decide what constitutes publicly valued results, or some combination of the two, one is forced, we think, to evaluate the innovations not only in terms of efficiency and cost effectiveness, but also in terms of what might be considered right relationships in the society – some notion of justice and fairness. After all, when a collective, policy decision is taken to move some established responsibility from the private domain to the public domain – as occurred when the Greater London Authority assumed the right to charge drivers for using certain London streets, or when the Singapore government legislated the obligation to provide elder care to the children – we are as interested in the question of whether that is a just and fair allocation of responsibility in the society as we are in the question of whether it will work to transform material conditions in desired directions. Conversely, when a collective, public policy decision is taken to give private parties more power in shaping what were previously governmentally dominated operations – when, for example, the CPS decides to give community-based organizations increased rights to shape the local response to child abuse and neglect, or the NYC Parks Department allows private groups the right to make financial and labour contributions to the Parks that are conditioned on their particular ideas of what would be a good use of that public asset – we are also motivated to ask whether such a move is proper or not, and what the implications will be for the overall fairness and justice of a particular public production system.

CONCLUSION: INNOVATIONS IN GOVERNANCE AS A CHALLENGE TO INNOVATION THEORY

In these five respects, then, the innovations in governance seem quite different from the innovations in products, services, and production processes that we have, until recently, associated with innovation in the private sector. These innovations change production systems that cut across the boundaries of organizations, not just those of a single organization. They enlarge the range of resources that can be tapped to enlarge and improve the performance of the production system. They involve changes in what instruments government uses to animate and direct the production system for achieving the desired goals. They alter the configuration of decision-making rights with respect to how private and public resources will be used. And they raise important questions about the distribution of burdens and privileges in the society. Precisely because they involve changes such as these, it does not seem unreasonable to describe these as innovations in the governance of society and social conditions, not simply as innovations in government operations.

In considering the future of innovations in the public sector, innovations in governance are a significant part. It is possible that innovations will continue to evolve in ways which go to the heart of democratic government – the processes by which a

community *discovers* its own interests, and begins to speak coherently as a collective about its aspirations of justice, prosperity, social relations and ecological sustainability. John Dewey (1927) wrote, in *The Public and its Problems*, that the most important problem facing the public is discovering itself and identifying its own true interests. We argue that this challenge will only be solved by more practice with, and innovations in, the processes of democratic deliberation itself.

NOTES

- 1 In this paper, we use 'government' to refer to both government organizations (e.g., federal and national government, local government etc) and public service organizations which may have a degree of autonomy from central government, such as health services, criminal justice services, and agencies concerned with the environment, public health etc but which are funded and regulated as part of the public service sector.
- 2 Note: there is an equivalent issue in the private sector: namely, when private firms construct new contractual relations, or more ambitiously, new governance relations, to improve their individual firm performance (see Tidd *et al.* 2005). This includes mergers and acquisitions, that are evaluated in terms of the impact they have on the market position of the firms involved in the mergers. It also includes the complex bundles of ownership rights and responsibilities that have integrated high tech bio-med firms. It may even include choices that socially conscious enterprises make about whether and how to form working partnerships with nonprofit organizations. For our purposes here, however, we will focus most attention on these activities in the public sector where government is one of the important actors in creating or acting within a particular governance scheme.

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Topic 9: Required Reading

Stanleigh, M 2008, 'Effecting successful change management initiatives',
Industrial and Commercial Training, vol. 40, no. 1, pp. 34–7.

Effecting successful change management initiatives

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Abstract

Purpose – The purpose of this paper is to assist managers to effectively implement change initiatives.

Design/methodology/approach – The author provides his viewpoint for a step-by-step approach to implementing change on the basis of his professional experience.

Findings – Most change initiatives fail because management may not be engaging employees in the process towards change and do not allow sufficient time for changes to set. It is important to implement change in a series of phases that will engage employees and to allow sufficient length of time for each phase to become institutionalized within the organization.

Practical implications – The author invites managers to apply a multi-step process to guide, include, empower, enlist, and motivate employees towards change.

Originality/value – Senior managers will understand why change initiatives usually fail and how to effect successful change management initiatives in their organizations or departments.

Keywords Change management, Organizational change

Paper type Viewpoint

Background

Despite all the rhetoric, books, effort, and money thrown into change efforts, most organizational change efforts fail. Arthur D. Little and McKinsey & Co., have studied hundreds of organizations that entered into change initiatives and have found that about two-thirds fail to produce the results expected.

In recent surveys, CEOs report that up to 75 percent of their organizational change efforts do not yield the promised results. These change efforts fail to produce what had been hoped for and yet always produce a stream of unintended and unhelpful consequences.

These leaders develop clear strategies around re-design, restructuring, new efficiencies, and so on, hoping to get everyone to share their vision and create change programs around these strategies. However, more often than not, they end up fighting fires and crises. People don't want to change. They don't believe in the change. They often feel demoralized by change initiatives.

Author and lecturer, Dr. Peter M. Senge, in his book, *The Fifth Discipline: the Art and Practice of the Learning Organization*, says that:

This failure to sustain significant change recurs again and again, despite substantial resources committed to the change effort; many of which are bankrolled by top management, talented and committed people driving the change, and high stakes. Executives feeling an urgent need for change are right; however, organizations that fail to sustain significant change end up facing crises. By then, their options are greatly reduced and even after heroic efforts they often decline.

Harvard Business School Professor, John Kotter, who is widely regarded as the world's foremost authority on leadership and change has said, "The most general lesson to be learned from the more successful cases is that the change process goes through a series of

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“ . . . too often, management fails to recognize that adjustment to change takes time.”

phases that, in total, usually require a considerable length of time. Skipping steps creates only the illusion of speed and never produces satisfactory results.” As well, he says, “Making critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains.”

What drives change?

Some of the drivers of change:

- mergers and acquisitions;
- innovation;
- technology;
- restructuring/re-organizing;
- declining sales and/or market share;
- globalization, expansion and growth;
- sense of urgency; and
- when 75 percent of the leadership is honestly convinced that business as usual is no longer an acceptable plan.

Why do change initiatives fail?

Leaders buy and sell companies. There are mergers and acquisitions. They expand globally. In the traditional Change Model, (www.bia.ca/BIA-Training-ChangeManagementtraining.htm) we know that employees move through the phases of *denial*, *resistance*, *exploration* and *commitment* when a change occurs. However, too often, management fails to recognize that adjustment to change takes time. They very quickly expect employees to move from the denial phase to the commitment phase and fail to recognize that each individual will go through all of the phases at different paces. It is never uniform.

Consequently, management may end up dealing with employees that may be burned out, scared or frustrated and who do not work well together. These are the employees who may long for “the past” and who do not like the merger. They hate the new company and a crisis emerges. In these situations, leaders often look for blame. There is no control . . . only a crisis. They have moved into acceptance and left their employees behind. I once heard one healthcare company executive say to me, “We’re under so much stress that all we do is look around the organization to find somebody we can shoot.”

There are so many things that we, as management do, that create a crisis in the management of change. We may not do these things intentionally, however, the result of these actions is generally the opposite of what we’d hoped for.

Things we do that create a crisis in the management of change:

- not engaging all employees;
- managing change only at the executive level;
- telling people they have to change, we’re in a crisis;
- sending staff on a change program and expecting change to occur;
- not honoring the past; and
- not giving time for staff to vent first and then change.

We have spoken about some of the reasons for change. We must understand and accept the fact that no two change processes look the same. It is unlikely for change management techniques to manifest themselves in the same way twice. Each change is different, each organization is different and each department is different. Furthermore, we are not the same today as we were even five years ago because the circumstances right now are different. The customers are different. The structures are different. The drivers of change are different. If change were this easy, we would not be struggling with the issue of strategic change management. It would be apparent. We will have seen it work and know we could duplicate it.

So how do we move from crisis to control?

- *Accept that change is a process.* First, recognize that change is a process and to move from crisis to control, we must follow the process. We must engage everyone in the change. It is not complex but it is a journey.
- *Move forward step by step.* When companies strive to restructure or gain greater efficiency, experts warn that moving too quickly or failing to carefully implement changes can be detrimental to the process and ultimate result. But in the words of John Kotter, "Skipping steps creates only the illusion of speed and never produces satisfactory results" and "Making critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains."
- *Assess potential risks and generate motivation.* First, executives or other players in the organization need to assess potential risks and stir up a sense of urgency among workers and stakeholders in order to generate the motivation to spur change within the firm. However, this sense of urgency has to be strong enough and perpetuated by outside analysts, consumers, and other voices in order to propel change forward.
- *Form a powerful guiding coalition.* Once change is identified as the best solution to market share, profit losses, or other catalysts, leaders throughout the organization have to band together to guide the transformation process, and these leaders can include board members, consumers, union leaders, executives, chairmen, and others.
- *Create a shared vision for corporate change.* The group then coalesces to create a shared vision for corporate change, and this vision should go beyond the normal five-year forward looking plan generated at most firms annually and be easily communicated and clear. A clear vision should also include transformation steps that are coordinated and propel the organization toward the overall goal, and these visions should be communicated in not only words and speeches, but also actions of managers, supervisors, and executives. The transformation of a company should also include short-term goals that can be tracked to show executives and workers that progress is being made toward the ultimate vision and that the long journey will be worth it, even in spite of short-term job cuts for instance. Experts warn, however, that transformations can take between five and ten years to complete, and should not be declared as complete until the company culture has transformed to meet the vision. Leaders will know to tackle other processes and structures reflecting the old culture of the firm and to engrain the new behaviors and procedures into workers in order to make the change complete.
- *Communicate that vision.* Leadership should estimate how much of the *vision* (www.bia.ca/consulting-organizational-development.htm) is needed, and then multiply that effort by a factor of ten. A transformation effort will fail unless most of the organization

“A transformation effort will fail unless most of the organization understand, appreciate, commit and try to make the effort happen.”

understand, appreciate, commit and try to make the effort happen. The guiding principle is simple: use every existing communication channel and opportunity.

- *Empower others to act on the vision.* Remove obstacles there may be to getting on with change. This entails several actions. Allocate budget money to the new initiative and free up key people from existing responsibilities so they can concentrate on the new effort. Allow people to start living the new ways and make changes in their areas of involvement. Nothing is more frustrating than believing in the change but then not having the time, money, help or support needed to effect it.
- *Plan for and create short-term wins.* Real transformation takes time therefore; the loss of momentum and the onset of disappointment are real factors. Actively plan to achieve short-term gains which people will be able to see and celebrate. This will provide proof that efforts are working and adds to the motivation to keep going.
- *Consolidate improvement and keep the momentum for change moving.* A premature declaration of victory can kill momentum, allowing the powerful forces of tradition to regain ground. Keep in mind that new approaches are fragile and subject to regression. Use the feeling of victory as the motivation to delve more deeply into the organization; to explore changes in the basic culture, expose the systems relationships of the organization that need tuning, and to move people committed to the new ways into key roles.
- *Institutionalize the new approaches.* At the end of the day, change sticks when it seeps into the bloodstream of the corporate body and becomes "the way we do things around here." This requires a conscious attempt to: show people how the new approaches, behaviors and attitudes have helped improve the organization and when the next generation of leaders believe in and embody the new ways.

Conclusion

In too many situations the carnage of change has resulted in a significant amount of waste and anguish in organizations. Useful change tends to be associated with a multi-step process that creates power and motivation that is sufficient to overwhelm all the sources of apathy. It requires dedication and must be driven by *high quality leadership* (www.bia.ca/consulting-leadership.htm) who demonstrate their commitment to its success. The rewards for those organizations that manage their change efforts well have improved their competitive standing and positioned themselves for a far better future.

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