Designed Not to Change

The reality is that today's organizations were simply never designed to change proactively and deeply—they were built for discipline and efficiency, enforced through hierarchy and routinization. As a result, there's a mismatch between the pace of change in the external environment and the fastest possible pace of change at most organizations. If it were otherwise, we wouldn't see so many incumbents struggling to intercept the future.

Source: Hamel and Zanini (2014).

EXERCISE 4.1

The Capital One Financial Story

LO 4.4

As you read the following account, consider the following questions:

1. The "built-to-change" model has been promoted as desirable for most if not all organizations. However, from a corporate management perspective, what are potential *disadvantages* of developing a built-to-change organization?
2. From the perspective of an individual employee, what are the *benefits* of working in a built-to-change organization?
3. For the individual employee, what are the potential *disadvantages* of working in a built-to-change organization?
4. Capital One Financial operates in a fast-moving sector. To what extent will built-to-change design principles apply to organizations in other industries, with different environments?

Capital One Financial was one of America's largest financial services companies, with annual revenues of more than $20 billion, 45 million customer accounts, and around 40,000 employees. Worley and Lawler (2009) tell the story of how Capital One became a "built-to-change" organization by developing an "enterprise-wide change capability." Like all financial services organizations, Capital One had to respond, frequently and

(Continued)

rapidly, to regulatory changes and shifting market and economic conditions. To remain competitive, change had to be routine.

> In an era when environments are changing faster and faster, the rhetoric on organizational effectiveness is clear: successful organizations must be more agile and adaptable. Redesigning work processes, integrating acquired businesses, implementing large-scale information technology systems, and entering foreign markets are a few of the challenging changes companies are implementing. Any one of them can prove very difficult to accomplish—most estimates put the success rate for a large-scale organizational change at about 25–30 percent. Successfully implementing several of them in a short time period is virtually impossible. (Worley and Lawler, 2009, p. 245)

How did the company develop its change capability? Worley and Lawler (2009) identify four elements in Capital One's approach, summarized in table 4.7.

TABLE 4.7
Capital One: Built-to-Change Elements

Element	In Practice at Capital One
Focus on the future	Analysts' time spent on exploring future trends and implications
Momentary advantages	"Test and learn" approach to developing new income streams
Organizational flexibility	Hire people who like change, flat structures, vague job descriptions, decentralized decision making, pay for results, flexible performance management process, frequent reorganizations
Change capability	Competencies related to change, and ability to change routinely

Recognizing the need for constant change, a small number of "high potential" staff were given training in leadership and change management. This was successful in generating valuable change initiatives. However, this approach could not provide the enterprise-wide change capability that the company believed was necessary. Management did not want to set up either a central corporate resource or a group whose members could be assigned to help business units implement change as needed. The solution was the "Building a Change Capability" (BCC) project, which had three components.

First, create "versatilist" line managers with the knowledge and skills to lead change; neither generalists nor specialists, these versatilists were able to accelerate the change process on their own initiative, without asking for help.

Second, to achieve simplicity and speed, Capital One decided to use a standard change methodology across the organization, replacing the 17 different models that were previously in use, along with 160 different tools. The chosen approach was the ADKAR model, which stands for creating **A**wareness, having the **D**esire, the **K**nowledge, and the **A**bility, and **R**einforcement (Hiatt, 2006). This was easy for staff to understand and use, and was consistent with the previous change management training.

Third, two change courses were offered by the company's corporate university, to explain the ADKAR model and identify change management behaviors. The model and other relevant materials were also disseminated through a change management portal on the company intranet, with case studies, diagnostic tools, and templates with which to develop change and communication plans. The BCC project also meant that there would be no staff in the human resource management function with full-time jobs dedicated to change management, as the aim was to distribute those capabilities throughout the company.

BCC implemented several initiatives, including a large-scale systems conversion project, a human resources reengineering project, a system to measure and reward change management competencies, and a workplace redesign project called "Future of Work." The outcome for Capital One was:

> It does not "manage change" as if it were some unwanted intruder; it does not view change management as an afterthought to improve the chances of getting some key resistors to "buy into" a new initiative. Change is integrated into the way Capital One formulates strategy, structures itself, and measures and rewards performance. (Worley and Lawler, 2009, p. 245)

Success with this approach to change gave Capital One staff the confidence and desire to take on even more initiatives. Worley and Lawler (2009) argue that Capital One had effectively integrated change capabilities with business knowledge, creating a climate of continuous change. They offer three key learning points for other organizations. First, signal the commitment to developing change capability by providing training opportunities, and by rewarding the acquisition of change-related skills. Second, develop supportive organization structures and systems (table 4.6). Third, be prepared to learn from experience in the process of developing the organization's capacity for change. Change capability, they conclude, is the "missing ingredient" in organizational effectiveness.

EXERCISE 4.2

Scenario Planning

LO 4.3

Here is one structured methodology for scenario planning, for your own organization or for one with which you are familiar:

1. "Brainstorm" the range of environmental factors that have the potential to impact on the performance of your organization. In the spirit of brainstorming, accept all suggestions at this point, and suspend judgement as to the significance of any suggested factor.
2. Ask individuals to identify which factors from this list they believe to be the "key drivers" of the organization's performance over a specified time period—say, five years.
3. Aggregating these individual responses, identify the five most commonly cited key drivers; these could be, for example, exchange rates, new technologies, entry by new competitors, mergers, competition for key staff, costs and/or shortages of raw materials.
4. Using these key drivers as the core elements, construct three future scenarios for the organization: the most likely, an optimistic scenario, and a pessimistic one. The "most likely" scenario is constructed on the basis of the "best guess" as to what will happen to each of the five key drivers over the specified time frame. Note that "best guess" does not imply a casual approach; best guess can be based on sophisticated market intelligence and forecasting. The "optimistic" and "pessimistic" scenarios focus attention on how the organization might respond to each of those outcomes. The construction of the scenarios requires skill, and it is not uncommon for organizations to employ external consultants who are experienced in scenario development. Scenarios need to be compelling and plausible narratives, even if they are unlikely to happen. This is necessary if they are to form the basis of discussion concerning the organization's response to those three possible futures.
5. Finally, outline the different organizational change agendas that will be required to deal with each of those three possible futures.