THE CRUCIAL CONTRIBUTION OF COMMUNICATION IN
MANAGING LARGE SCALE ORGANISATIONAL CHANGE

Dr. David Paul and Prof. Elizabeth More

Paper presented to the Australian and New Zealand
Communication Association Conference, University of Sydney, 7 –
9 July 2004

Abstract

Most would agree that managing large scale organisational change is one of the greatest challenges facing corporations today; indeed successful change management is one of the key competencies in the 21st century. The literature concerning how organisations manage complex change has grown in recent times in response to the dynamics of globalisation and increasing competition. Whilst recipes for successful change management are on the increase, this is coupled with the growing realisation that simple prescriptions may not be ultimately useful in the face of reality (Dawson, 2003). How one arrives at long term, deep, pervasive change, which alters the very core of an organisation and its people, has been and remains generally elusive to both theoreticians and practitioners.

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

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

1. Introduction

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

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

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

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

This true example illustrates the high cost of unthinking job termination, one in which there was little or no communication that such a life changing was looming for Sam.

Surprisingly, the dysfunctional impact of downsizing and redundancy, due to poor communication has yet to be fully recognized or emphasized in change management literature. Yet, the reality is that management fails to communicate appropriately large scale change and to be aware of the repercussions of such an omission. Unmitigatedly, the company's profit margins and shareholder wealth are the compelling forces that drive most organizations, and when the desired financial results are not achieved, cost cutting, restructuring and downsizing seem to be the only ways that management knows how to tackle organizational problems and inefficiencies.

Whether it is acknowledged or not, large-scale organizational change is here to stay for some time. If anything, change management is on the rise. Consequently, it is crucial that communication management scholars play a definitive role in productively helping such change, especially as traditional management scholars have yet to embrace communication as a critical aspect in their theories and models of change. This paper argues for the importance of effective communication during large-scale organizational change and the pivotal role that communication plays in the change process per se. Without a tenacious emphasis on communication, the success of the change process can be viewed as merely adequate rather than triumphant (Paul, 2000).

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

2 . C h a n g e M a n a g e m e n t

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

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

The language pertaining to the theories of change is full of ambiguity and complexity. Furthermore, there is little agreement among change management scholars and practitioners when it comes to defining "change". Nor is there widespread understanding that large-scale organizational change (and its close cousin, downsizing), is a fork in the road, rather than the end of the road.

Indeed, change is a transition to be managed like any other, with planning, teamwork, compassion, innovation and skill. If change is handled effectively, both employees and the organization can learn valuable lessons and skills that can be applied to a variety of situations. It is possible, not only to minimize the pain but also to maximize the gain. For instance, managers can improve their communication skills, problem solving and conflict resolution techniques. Employees can learn how to take charge of their own careers and improve their marketability within and outside the organization.

Change and downsizing are expensive organizational exercises, since the organization loses expertise (Margulis, 1994) and survivors often work harder and longer with little respite, making them prone to stress, anxiety and worry about job security and productivity. So poorly handled change, with inadequate emphasis on appropriate communication strategies, results in loss of confidence, commitment, empowerment and creativity amongst those who leave and those who remain. Such negative reactions will be felt by the organization through financial consequences such as the share price, loss of customers and price negotiations with suppliers. If displaced workers are angry or hostile, they can sabotage production, initiate costly lawsuits and do physical damage. Survivors will spend most of their time protecting their jobs rather than actually doing them.

At the employee level, large-scale change has had a deleterious effect on most of those who survive the downsizing axe (see for example, Brockner, 1988; Brockner, Davy and Carter, 1992; Mishra and Mishra, 1994): lack of trust of management, guilt, low and debilitating morale, increased stress due to job insecurity and increased workloads, lack of concentration, reduced satisfaction,
increased absenteeism, tardiness, theft, lower work productivity, cynicism, and opportunism grows. Mone (1997) found a high turnover of staff and an increase in the numbers of those intending to leave the organization. Moreover, the effectiveness of teams, which rely on interpersonal trust, open communication and active participation, is jeopardized as individuals feel the reprisals of change.

There are specific actions and inactions attributed to management, which affect the perceptions of employees as a result of change. These actions and inactions concern communication processes, commitment exhibited to employees and the anomaly between management statements and

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

But how is trust, employee cooperation to achieve organizational goals, loyalty to projects and commitment to the task achieved? The key answer lies in communication, a major determinant to successful large-scale change and organizational success. As Schweiger and DeNisi (1991)'s research reveals, found that failure to communicate appropriately is too costly, increasing employee uncertainty, stress and anxiety levels. Moreover, according to Randolph (1995, p.23), employees will only take risks in a culture of trust, tolerant of learning through mistakes. Without such a culture, inappropriate communication emerges with managers asking "Who did it?" rather than "What went wrong and how can we fix it?". In such a culture communication becomes dysfunctional with a focus on attaching blame rather than using information to solve problems. (Randolph, 1995).

3 . C o m m u n i c a t i o n   a n d   C h a n g e

"Without strong leadership from top management, the psychological and political disruptions that accompany radical change can sabotage the change efforts" (Hall, Rosenthal and Wade, 1993, 119 - 120). This means that change initiatives are next to futile unless there is sponsorship, support, cooperation, communication, and participation from the top levels of the organization.

In one of the few management articles highlighting the need to consider communication in downsizing,Tang and Fuller (1995)'s research emphasises:

- Effective communication between employees and managers is vital during change.
- Direct communication between supervisor and subordinate relates positively to employee job satisfaction and organizational commitment.
- Increasing and improving the communication relationship between managers and employees increases levels of trust, loyalty, and job satisfaction.
- Clear, straightforward communication between management and employees, results in more tolerance of negative news and acceptance of disagreement during change.
- Tone of voice and management attitudes impact greatly on employees who are laid off.
- Sensitivity to others has been identified as one of the most important dimensions of interpersonal communication for managers.

This work demonstrates the practical dimensions to focusing on communication in an organic approach to large-scale organizational change, one that displays concern for the human aspect of such change. The key to

organic change is dealing with people and placing an emphasis on clear, direct communication, which engenders trust. Yet the organic approach is the least addressed aspect of change in the literature and indeed is the most difficult.

4 . A Case History of Change Management

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

- Interviews (in-house and external) with the Chairman of the Boards, Directors on the Board, the CEO, the Senior Executive team, middle managers and representatives from the rest of the organization.
- Document access and analysis.
- Attendances and meetings and discussions.
- Access to surveys and consulting reports

The information obtained during those years was not only privileged but also highly confidential, evidenced by the embargo placed on the research until 2004.

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

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

The peerless reputation which it enjoyed for over a century lay in tatters and, surprisingly, everyone (but Concordia itself) had seen the catastrophe approaching. The fall of such a commercial giant was unbelievable as it was reduced to being one of the world's weakest financial institutions and relentlessly misrepresented in the media. Externally, it was humiliated and scorned while internally; its staff were embarrassed to be associated with a disgraced company.

Few, if any, have been able to penetrate the organization or have access to its employees, staff, managers, senior managers, executives, managing director and chairman of the board of directors. Even those who have been sacked, resigned or retired have been clasped with corporate handcuffs, so that little information is communicated to the outside world. Concordia espouses secrecy in communication, aloofness in human interaction and coldness in explaining its decisions.

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

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

The internal culture within Concordia encapsulates Australia's oldest corporate culture; with deep roots reaching as far back as convict times serving as a financial institution to penal colonies and having close alliances with the government. Such deep ties to history and the known colonized world have also given rise to its deep political nature. Since 1993, the senior ranks have been purged and a new culture was to be introduced with a large number of appointees to senior level management. The idea was to show middle level managers that there are different styles and different approaches to management.

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

According to a senior manager at Concordia, "the overall stakeholder morale is low, with customers becoming upset with branch rationalization and the introduction of fees for all accounts. Staff morale is low because of the hard bargains made by Concordia on enterprise agreements with no incentives to work. It seemed that new senior managers were lured with huge financial

carrots, while those that remained loyal to Concordia through difficult times, were often ignored" (Interviews).

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

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

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

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

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

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

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

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

6.   Formal communication was done in writing. Verbal agreements were often denied if something went wrong on the grounds that such

agreements were made under stress or pressure. Every decision had to be signed off by the next highest authority, and the higher authority never signed unless there are two other managers at the same level, signed first. This ensured that blame was always shared if the project or idea failed.

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

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

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

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

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

5. Conclusion

What practical lessons can be learnt from Concordia Corporation, which can be applied to corporations? It is little wonder that large-scale organizational change fails both in achieving short-term initiatives, and long-term strategy with such poor communication grounded in a dysfunctional culture.

The solution to poor organizational environments is an organic approach involving open, honest, direct communication. This is the key to any successful and deep change initiative. As argued earlier, effective organic

change management is dependant on trust, loyalty and two-way communication, with senior management supporting change and leading by example, rather than ruling by edicts.

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

Finally, change management scholars have to be practical in their application of knowledge for the business environment. Discussions at conferences like these must penetrate the walls of organizations that pretend to know how to communicate, but fail to find enough change practitioners in the field to help them communicate effectively and directly. Our knowledge must create action for organizations that are struggling with change and we have a duty to improve the quality of life of those who work for such organizations.

\ \ \ \ \ \ \ \ \

References

Ballantyne, Tom.   (1996).   'Ansett's Most Wanted'   The Bulletin.   15th October. pp. 50 - 51.

Birch, C. (1993). Confronting the Future: Australia and the world the next 100 years. Ringwood, Victoria: Penguin.

Brockner, J., Davy, J. and Carter, C. (1992). "Managing the effects of layoffs, self-esteem and survivors." California Management Review. No: 34. pp. 9 - 28.

Brockner, Joel. (1988). "The effects of work layoffs on survivors: Research, theory and practice." in Staw, B.M. and Cummings, Larry, L. (Eds). Research in Organizational Behavior. JAI Press: Greenwich, CT, USA.

Carew, E. (1997). The bank that broke the bank. Doubleday Publishers: Sydney, NSW, Australia.

Carnevale, David, G. (1995). Trustworthy government: Leadership and management for building trust and high performance. Jossey-Bass Publishers: San Francisco, CA, USA.

Costello, T. (1996). 'Citizens in the marketplace'. The Australian Institute: For a just, sustainable, peaceful future. Deakin, ACT, Australia. No: 7. March. pp. 4-6.

Downs, A. (1996). Corporate executions: The ugly truth about downsizing - how corporate greed is shattering lives, companies and communities. AMACOM, American Management Association: New York, New York, USA.

Greenberg, J and Baron, R. (2003). Behaviour in Organisations. Pearson Education, Australia:

Hakim, Cliff. (1994).   We are all self-employed: The new revolution. Harrison, Bennett-Koehler Publishers: San Francisco, CA, USA.

Irwin, Harry and More, Elizabeth.   (1994).   Managing Corporate Communication. Allen and Unwin: St. Leonards, NSW, Australia.

Kanter, Rosabeth. M., Stein, Barry. A., Jick, Todd, D. (1992). The Challenge of Organizational Change: How companies experience it and leaders guide it. The Free Press, Macmillan: New York, NY, USA.

King, Sarah, S. and Cushman, Donald, P. (1997). Lessons from recession: A management and communication perspective. State University of New York Press: Albany, NY, USA.

Knowdell, R., Branstead, E. and Moravec, M. (1994). From downsizing to recovery: Strategic transition options for organizations to individuals. CPP Books: Palo Alto, California. p. 10.

Margulis, Stephen, T. (1994). "Bad news and good news about downsizing." Managing Office Technology. April. Vol. 39; No: 4; pp. 23 - 24.

Noer, David, M. (1993). Healing the wounds: Overcoming the trauma of layoffs and revitalising downsized organizations. Jossey-Bass Publishers: San Francisco, CA, USA.

Mishra, A. N. and Mishra, K. E. (1994). "The role of mutual trust in effective downsizing strategies" Human Resource Management. No: 33. pp. 261 - 279.

Mohrman, A. M., Mohrman, S. A., Ledford, G. E., Cummings, T.G., Lawler, E. E., and Associates (1991). Large-Scale Organizational Change. Jossey-Bass: San Francisco, CA, USA.

Mone, Mark, A. (1997). "How we got along after the downsizing: Post-downsizing trust as a double edged sword." Public Administration Quarterly. Fall. Vol. 21, No: 3. pp. 309 - 336.

More, E. A. (1998). Managing changes: Exploring state of the art. JAI Press: Greenwich, CT, USA.

O' Reilly, Brian. (1994). "The new deal: What companies and employees owe one another." Fortune. June 13. pp. 44 - 52.

Paul, D. (2000). Communicating complex change. An explorative, ethnomethodological case study of communication and its role in large scale organizational change. Unpublished doctoral dissertation. Macquarie University, Sydney.

Randall, Donna, M. (1995). "Downsizing the culture of commitment: Ethical and organizational consequences" Paper presented at the 1995 Annual Academy of Management Conference, Vancouver, N.C. cited in Mone , Mark, A. (1997). "How we got along after the downsizing: Post-downsizing trust as a double edged sword." Public Administration Quarterly. Fall. Vol. 21, No: 3. pp. 309 - 336.

Randolph, W. Alan. (1995). "Navigating the journey to empowerment." Organizational Dynamics. Spring. pp. 19 - 32.

Schweiger. Donald, M. and DeNisi, Angelo, S. (1991). "Communicating with employees following a merger: A longitudinal field experiment." Academy of Management Journal. No: 34. pp. 110 - 135.

Tang, Thomas, Li-Ping and Fuller, Robert, M. (1995). "Corporate downsizing: What managers can do to lessen the negative effects of layoffs." Sam Advanced Management Journal. Autumn. Vol. 60; No: 4, pp. 12 - 15 & 31.

Tulloch, S (ed). (1993). <u>Oxford Complete Wordfinder</u>. Oxford University Press: Oxford, UK.