

## **Is Change Management Obsolete?**

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### **Executive Summary**

The change management challenge in organizations is overwhelming. The pace, complexity, and scope of change in the environment demands an organization change approach that is pervasive, complex, agile, and integrated. Unfortunately, the change management models, tools, and processes used today were developed during a simpler time and are not generally up to the task. This article proposes a new change theory, one that asks change agents to engage and learn in four areas: awareness, design, tailoring, and monitoring. This new model, demonstrated in a case study of transformation, reflects the demands of today's organization change requirements.

## **Is Change Management Obsolete?**

Too many articles about organization change begin with the ominous: 70% of large-scale change efforts fail to meet their objectives. The source of this finding may be ambiguous, but its implication is clear: Managing change in large organizations is hard. However, instead of standing back and asking the double loop learning “is change management the right approach?” question, they engage in single loop revisions of practices, tools, or processes that are intended to drastically increase the odds of success. Unfortunately, this may be the practical equivalent of making a better buggy whip.

That is because in today’s world, if you ask managers about the nature of their environmental and marketplace demands, you are likely to get answers like “chaotic, uncertain, constantly changing, disruptive, and complex.” The leap in complexity, connectivity, interdependency, and speed, compared to 20 or 30 years ago, has created an environment that is radically different and requires new approaches to change.

Undaunted, and in the face of a steady stream of diverse and overlapping change requirements and uncertainty, organizations continue to employ traditional change models. These depend on top-down executive leadership and focus, detailed risk analysis and mitigation, carefully planned and controlled communication, play-books that are “rolled out,” tools and scripts to ensure common understanding, training people how to behave differently, and transition structures to govern the execution of work streams according to Gantt charts and detailed plans.

Our purpose is to provide an alternative conceptualization of the change process and organizational capabilities needed to effectively adapt and co-evolve with a rapidly changing environment that is presenting a never-ending cascade of new challenges. Like others, we call this state of affairs the “new normal.” We begin by describing and comparing the “old normal” environment with the “new normal” and deriving the implications for change. We then describe the “engage and learn” model – based on our observations, research, and practice in organization design and agility at USC’s Center for Effective Organizations - as a new way of thinking about organization change that complements today’s challenges and the organization designs being implemented. Finally, we demonstrate the model through the Cambia Health Services case.

### **The “Old Normal”**

For decades, organizations have co-evolved with advances in technology, the emergence of a global economy, changes in societal expectations, and market shifts. We know in hindsight that, until recently, these environmental changes could be described in terms of a

“punctuated equilibrium.” That is, any particular aspect of the environment tended to change slowly and incrementally for a number of years and then manifest relatively short bursts of radical advancement.

In the old normal, organizational change tended to follow this same pattern. Within and across industries, periodic transformational episodes challenged organizations to develop new capabilities, ways of doing work, managing people, and organizing. For example, advances in our understanding of human motivation and organizational behavior along with societal and governmental concern for workers’ rights and well-being resulted in radical shifts in human resource practices and high involvement work systems. A long history of incremental increases in efficiency were transformed into large improvements in both productivity and employee outcomes. Economic and technical changes led to the sudden emergence of the global corporation. After years of country-based economies, the number of multinational corporations utilizing capabilities for managing information, resources, and talent on a worldwide basis increased dramatically. Finally, the ability to collect, share, and analyze vast quantities of information while simultaneously enabling customization have created new business models, management practices, and go to market tactics.

### **Theories of Change in the Old Normal**

Researchers studying organization change have developed two types of models. The first type, known as *change process theories* or *theories of change*, describe the variables that trigger change, the variables that could affect the pace and effectiveness of the change process, how the variables cause the change, and the expected outcomes of the change effort.

One of the most well-known theories of change is Larry Greiner’s classic 1972 *Harvard Business Review* article, “Evolution and Revolution as Organizations Grow.” He was interested in the stages of growth, from start-up through maturity and increased complexity, and the need to introduce the capabilities to manage, perform, coordinate, and collaborate as organizations became larger and older. He observed that corporations go through a predictable sequence of crises that lead to “revolutions” in the way they organize and operate. Organizational solutions or strategies applied to achieve growth in the current period become the primary source of problems to be solved or capabilities to be developed in a future period. For example, HP, Philips, and many other organizations grew successfully because of a decentralized product or geographic based model but faltered when the need for coordination across products or regions became important. Only when the problems of decentralization – the same approach that had previously driven success – were addressed, and the capability for cross-organizational coordination was developed did these organizations resume growth.

Researchers eventually began to view fundamental change as triggered by factors both internal and external to the organization, and not simply the inevitable result of growth and

age. Michael Tushman and Elaine Romanelli, among others, argued that a set of interrelated strategic, power, organizational, and cultural commitments became self-reinforcing and change resistant. In the presence of significant events, such as technological changes, executive succession, or industry life cycle transitions, a revolution was necessary to reconfigure the commitments. The “punctuated equilibrium” model simply proposes that organization adaptation occurs through relatively long periods of convergence on a particular strategy that are interrupted by relatively short periods of fundamental change or transformation.

Fundamental change came to be understood as deep and pervasive. It affected the cultural patterns and behaviors in the organization, and required significant alterations to most of the sub-systems in the organization. Scholars and practitioners considered transformational change a messy nuisance to be avoided entirely if possible; it literally put the reliable delivery of products and services at risk and threatened the performance capabilities of the organization.

If and when organizations needed to transform themselves, they would typically *rent* the change management capability from consultants. There was no need to pay for internal transformational change expertise that was rarely used. Companies that did staff up with organizational effectiveness consultants during periods of transformation often eliminated these departments once the pressing need for transformation subsided.

### **Implementation Theories in the Old Normal**

The second type of change theory focuses on *changing*, and in particular on the *implementation* of change. Implementation theory research focuses on the activities change agents should perform to insure the success of a change effort. These theories involve steps like entry and contracting, diagnosing, planning, intervention, and evaluation. Implementation theories provide guidance to change agents regarding the necessary activities to bring about change successfully in organizational systems.

Importantly, the punctuated equilibrium model suggests that organization life is dominated by stability and incremental change, not transformation. During periods of convergence, the environment’s demand for new solutions, strategies, and capabilities is relatively benign, and oriented toward increased efficiency, reliability, predictability, and growth within an existing strategy and operating logic.

The predominant implementation theories used today were generated to help companies during these periods of relative calm. They were aimed at refining the adopted business strategies and the new capabilities and behaviors required to make them a reality. Implementation could be incremental, gradual, focused, and controlled (i.e., “managed”) through carefully architected processes of design and implementation. These change models worked well as long as fundamental change was episodic and infrequent.

Two of the most common implementation theories are Lewin's change model and the positive model. These models and their variants have received widespread attention and provide an important historical benchmark for our proposed engagement and learning model.

**Lewin's Change Model.** Kurt Lewin conceived of change as modification of the forces keeping a system stable. A particular set of behaviors or outcomes at any moment in time was the result of two opposing forces: those striving to maintain the status quo and those pushing for change. When both sets of forces were about equal, current behaviors or outcomes were maintained in what Lewin termed a state of "quasi-stationary equilibrium." To change that state, the organization could increase the forces pushing for change, decrease the forces maintaining the current state, or apply some combination of both. Lewin suggested that decreasing the forces maintaining the status quo produced less tension and therefore was a more effective change strategy than increasing the forces for change. Such thinking has led to a number of theories and tools for lowering "resistance to change."

Lewin's implementation theory consisted of three steps. The **unfreezing** process involved preparing the organization for change, often through processes of "psychological disconfirmation." By introducing information that shows discrepancies between behaviors desired by organization members and those behaviors currently exhibited, members could be motivated to engage in change activities. Today, we often talk in terms of "burning platforms" or recognizing disruptions.

The **moving** process shifts the behavior of the organization, department, or individual. It involves intervening in the system to develop new behaviors, values, and attitudes through the development of new skills and competencies or changes in organizational structures and processes. Finally, **refreezing** stabilizes the organization in a new state of equilibrium. It is frequently accomplished through the use of supporting mechanisms, such as organizational rewards, that reinforce the new organizational state.

Kotter's eight-stage process, GE's change acceleration process, Prosci's ADKAR model, and other popular change management models can be mapped onto Lewin's phases. For example, establishing a sense of urgency, creating the guiding coalition, developing a vision and strategy, and communicating the change vision are key steps in Kotter's model that reflect the unfreezing process. Empowering broad-based action and generating short-term wins are part of moving. Similarly, awareness and desire (A and D in the ADKAR model) reflect unfreezing, knowledge and ability reflect moving, and reinforcement reflects refreezing. Action research extended this model by suggesting that change was more cyclical than that implied by the refreezing stage but still held to the basic change logic.

**The Positive Model.** A second change model was popularized in the 1980s and 1990s and represented an important theoretical—but not practical—departure from Lewin's model. The

positive approach to change reflected the growing “positive organizational scholarship” movement in the social sciences and the notion that organizations are socially constructed. That is, organization members’ shared experiences and interactions influence how they perceive the organization and behave in it. It also builds on the notion that people tend to act in ways that make their expectations occur. Thus, positive and shared expectations about the organization can create an anticipation that energizes and directs behavior toward making those beliefs happen.

The positive model has been applied to planned change primarily through a process called appreciative inquiry (AI), an intervention that encourages the development of shared meaning and a shared positive orientation to how change is conceived and managed. AI often follows a four-step process of discover, dream, design, and destiny. It promotes broad member involvement in **discovering** the organization’s positive core attitudes and systems and **dreaming** about a shared vision of its positive potential. That shared appreciation provides a powerful and guiding image of what the organization could be. **Designing** involves developing the action plans that will diffuse and strengthen the positive behaviors and **destiny** describes processes for making the vision real.

The theoretical shift from a focus on problems to an appreciation of strengths and shared vision, however, did not lead to important differences in the change process. Most AI processes still reflect the unfreeze-move-refreeze approach. Discovering and dreaming unfreeze the organization, designing moves or increases the number of positive behaviors, and pursuing the organization’s destiny is about refreezing around a particular vision or design. It does, however, greatly increase focus on achieving participation and the development of shared understanding during a change process.

## Conclusion

Under “old normal” conditions, it is not difficult to see how and why these traditional implementation theories or models of change management were appropriate. They fit with the nature and pace of environmental change reflected in the punctuated equilibrium view of environmental and organizational change. In keeping with the belief that organization change was mostly incremental and occurred within an existing strategy, these change processes:

- Tended to have clear beginnings and endings; starts and finishes.
- Were initiated by senior executives to refine and converge on a successful strategy.
- Focused on particular systems in service of sustaining a competitive advantage.

The implementation theories described above support a clear focus, define clear boundaries and scope, allow a high degree of control, and help people make sense of change. They work effectively when there is clear alignment to a known strategy.

## The Emergence of a “New Normal”

More and more, managers and scholars are recognizing that environmental change is no longer a series of disruptions spaced by periods of relative calm. Strategy researchers, for example, have been focusing on the decreasing longevity of competitive advantages and how quickly established firms can disappear. A 2014 i4cp study reported that more than 64% of firms indicated that they had experienced a disruptive change in the last 24 months. Disruptions of various sorts are happening more or less constantly. Because organizations have become more complex and interdependent, a disruption anywhere in the system may be felt everywhere and by everyone.

For many companies there are no more periods of calm and incremental change. Organizations need to move from one fundamental change to another, continuously incorporating new capabilities in response to the complexity of their environments. Organizations are being asked to: (1) drive performance today while changing their business models for tomorrow; (2) leverage their current advantaged capabilities and build whole new capability sets; (3) optimize their current product/service portfolios and offer customized solutions; and (4) minimize their current carbon footprint and adopt sustainable practices by making existing processes more efficient and by introducing disruptive innovations and fundamentally different ways of operating.

Unfortunately, scholars have not provided organizations and the managers who run them with the frameworks to handle the pressure for more frequent fundamental change. When cases of fundamental change are published, there is rarely a mention of the traditional change models. Instead, transformational change is usually attributed to effective leadership. Case studies of the transformations at IBM, Southwest Airlines, Herman Miller, and ABB focus on the roles of Gerstner, Kelleher, DePree, and Barnevik; they do not highlight the frameworks of Lewin, Kotter, Conner, Cooperrider, Beckhard, or Burke.

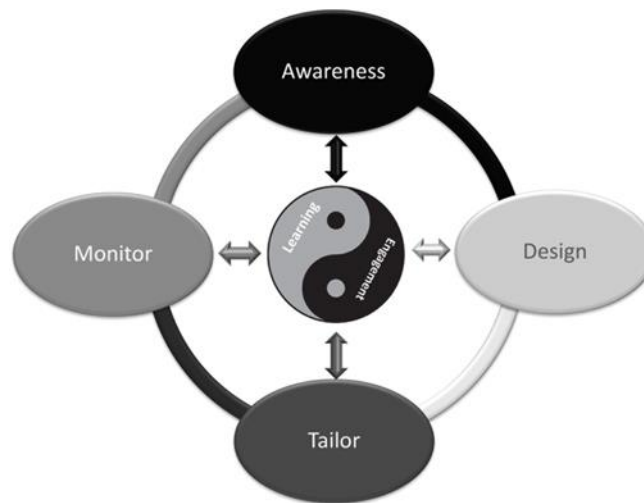
When traditional change models are applied to transformational efforts, the change process struggles and represents a primary source of the oft-quoted 70% failure rate statistic. When the speed and pervasiveness of change are high, when the organization is reacting to a stream of environmental demands, and where changes in the organization’s culture may be required to develop new capabilities, implementation theories do not provide sufficient guidance, tools, or examples. This leads to the conclusion that our traditional models of change management may be obsolete.

In the new normal, there is no punctuated equilibrium. Companies must address both incremental and fundamental, simple and complex, shallow and deep, first-order and second-order, and executional and transformational change simultaneously and repeatedly. What follows is the foundational concepts for a new conceptualization of organization change.

## A New Theory of Changing

Our research in organizations – primarily related to the implementation of new designs and the pursuit of organization agility – has led us to a new theory of changing. This is not a “change management” model; that implies way too much control over the process. Rather, it is a descriptive model of changing along with a set of organizational change routines - the recurring processes that characterize an organization - that allow an organization to change itself continuously. The “engage and learn” model is shown in Exhibit 1.

Exhibit 1: The Engage and Learn Model



Each of the four activities or change routines in the model derives from an understanding of the requirements for organization effectiveness in a volatile, uncertain, and disruptive world. They are no less relevant in a relatively stable environment:

- First, organization members must be **aware** of the issues, challenges, and history of the organization. Organizations need to be good at perceiving environmental trends and being “pre-adapted” for disruption through the continual consideration of scenarios, options, and prior change efforts. As the pace of environmental change and disruption increases, organizations must spend increasing amounts of time and energy in being vigilant.
- Second, there is an increasing appreciation for the importance of **design** in shaping behavior. Solution-based, global, and other complex strategies require more coordination and collaboration than typical strategies in the old normal. Paradoxically, rapid response to opportunities and challenges require the opposite capability: to operate quickly in self-contained pods that may pull from but operate independently of the organization’s core logic. Design activities are focused on the flexibility to manage a loosely connected dynamic portfolio of recurring and emergent collaborations as well as



the development of capabilities that will differentiate the organization in the marketplace.

- Third, **tailoring** is about creating targeted, specific, high impact interventions that “perturb” the system and set the conditions for self-organizing. Broad, overly programmed implementation processes that may have been successful in the old normal do not work. Even well designed and defined TQM and six sigma processes cannot be “cut and pasted” into the organization without tailoring. Far from seeking uniformity, effective change in a rapidly evolving environment configures the organization’s unique, valuable, and difficult-to-replicate resources to allow the organization to learn from and build on diversity.
- Finally, **monitoring** involves inquiring into the impact of organization change and development on desired outcomes, understanding the organization’s progress in achieving its strategy, and making rapid adjustments based on what is learned. This process is central to the organization’s capacity to detect error and learn from success in today’s environment where changes have to be made quickly, where there are many changes going on simultaneously in diverse parts of the organization, and where tight control is not possible or desirable.

There are no “arrows” in the model. There is no particular prescribed sequence or starting point and the model can be “entered” anywhere. All of these routines are happening at once, in various parts of the organization and in loosely coupled ways. Change can begin with monitoring or tailoring just as easily as with awareness or design. Simultaneous, asynchronous and multi-faceted change is being carried out in different parts of the organization. Change of the magnitude, speed, and diversity required today cannot be carried out without considerable emergent change and self-regulation through the organization. Because of the complexity and the interdependencies in the system, an important change challenge is to catalyze sufficient information exchanges across the system. This allows interdependent change activities to adjust to and influence one another.

The center of the model describes two continuous individual modes of operating, or motivations that link people throughout the organization to the various change routines and enable them to help make change happen: **engagement and learning**. Any change agent’s first motivation – and we do not assume that a change agent comes from any specialized group or represents a formal hierarchical leader – is engagement. Change agents engage in awareness of the issues facing the organization. They are plugged into the relevant issues happening in the organization’s environment, the business, and its people, in order to orient their activities to be relevant to stakeholders. They must also understand how organization design elements govern and drive behavior in the organization and be able to conceive of alternative designs to elicit and reinforce new behaviors.

Change agents need to engage in activities that tailor selected change interventions and designs to operate effectively within the culture and identity of the organization, its strategy, and its resources. In today's complex and diverse global organizations, sensitivity to different sub-cultures and market contexts is required to avoid trying to fit round pegs into square holes. Tailoring recognizes that each organization's situation is unique and must be accounted for when implementing change. Finally, change is likely to be fast and iterative, in keeping with the "engage and learn" conceptualization. Monitoring activities involve the rapid collection and interpretation of appropriate data to understand whether innovations and interventions are having the intended impact and provide change agents with opportunities to continue to hone the capabilities of the organization.

Awareness of the broad and specific contexts of an organization, the ability to diagnose the sources of behavior from a design perspective and to tailor high impact interventions, and the skills to monitor a change's impact motivate an important and probably nonlinear cycle of activity. Such a perspective on change recognizes its ongoing nature, and that change agents must be better at each activity over time.

The second motivation is learning; it is the outcome of intentional engagement. Through participation in repeated cycles of awareness, design, tailoring, and monitoring, change agents learn. As test and learn routines are carried out continuously and simultaneously throughout the organization to address many different challenges and purposes, transparency and cross-organizational learning form a foundation for the development of a system-wide change capability. This capability depends not only on knowledgeable individuals, but also on collective processes that are core routines of how the organization operates.

Learning allows each subsequent cycle of engagement activities to be more efficient and effective as people throughout the organization become proficient at changing. This requires systems and processes that support learning, such as after action reviews, reflection and discussion, documentation, and transparent sharing of information. Next, we describe the Cambia Health Solutions case to illustrate the model.

### **Cambia Health Solutions**

Few environments have undergone as much upheaval and public scrutiny over the past thirty years as the health care industry. Over that time, health care costs ballooned, increasing from 8.9% of the GDP in 1980 to 17.4% thirty years later and yet our health care outcomes rank among the worst in the OECD countries.

Cambia Health Solutions' core business is Regence, a ninety-year-old Blue Cross-Blue Shield insurance affiliate in the Pacific Northwest. As a member of a highly regulated industry, it had developed a conservative culture embedded in a hierarchical, command-and-control

organization structure. In the early 2000s, and in light of the severe pressures on the industry, it began thinking about its mission and purpose.

In 2004, Regence's board and senior leaders, led by CEO Mark Ganz, anticipated many of the environmental changes that were to come as they established a new corporate vision. An emotional and tight "are we part of the problem or part of the solution" dialogue among a few executives produced a new purpose. It was dubbed "The Cause: To serve as a catalyst in transforming health care, creating a person-focused and economically sustainable system." Over the next few years, the organization talked about the implications of The Cause and how the organization should go about pursuing it.

The Patient Protection and Affordable Care Act (PPACA) of 2010 (aka "Obamacare") was a costly, divisive, and disruptive change to the industry that brought a whole new set of regulatory changes. Organizations in the healthcare eco-system began to explore and introduce new approaches, thus starting the process of fundamentally re-crafting the industry and the relations among the involved parties.

In that context, Cambia was ready. Its leadership team architected a significant reorganization and put a stake in the ground about how The Cause was going to be implemented. They created a parent holding company to house Regence, the traditional insurance business, and Direct Health Solutions (DHS). DHS was a newly created incubator business unit charged with developing or investing in innovative products and services, such as other lines of insurance, alternative forms of health care access, and freestanding health and wellness solutions. Both the insurance and the DHS organizations focused on serving The Cause.

Cambia, a sponsor company of the Center for Effective Organizations at USC, was aware of our research into organizational agility. In late 2010, they asked for some help with culture change to ensure that their investments would make them more fit for the future.

An agility assessment, consisting of a broadly administered survey coupled with structured management interviews, was conducted in the spring of 2011. There was a strong sense of shared purpose, captured by The Cause, and a belief that the new structure reflected that purpose. There was also consensus that Cambia was a values-driven company and that its non-profit status helped their traditional insurance business emphasize a strong "member focus."

The change in strategy and restructuring also led to tensions in the organization. The Cause, by itself, was an insufficient statement of strategy. DHS' investments, which were expected to achieve a higher rate of return than the insurance business, suggested to some that economic performance had become Cambia's driving focus, to the detriment of member satisfaction. Moreover, the management attention given to DHS left some people in Regence Health feeling like the emphasis had suddenly shifted away from the company they had built.

Many people feared that The Cause was too grand a mission for employees to embrace and too bold for an organization with Cambia's limited capabilities.

Innovation and change capabilities, essential to The Cause, were also a problem. Diagnostic interviews revealed a deep frustration that it was "hard to get things done" at Cambia. Goal setting, information flows, and decision making reflecting the hierarchical silos of the core business did not support a strategy that required risk-taking in the service of new product and program development. Managers did not understand how their individual goals connected to the strategy, were not held accountable for outcomes, and did not experience either positive or negative consequences for their performance. A lack of empowerment and accountability meant that decisions were pushed up for resolution.

Cambia's CEO understood that these issues threatened its ability to execute the strategy. He commissioned the VP of HR to set up a design team, review the findings of the assessment, and develop a change strategy to address them.

The design team came to recognize that if change was to become a way of life at Cambia, the change process could not be a new "program" or "project." Their approach was to effect change by looking systemically at the organization and focusing on the system or systems most likely to change the "rules of engagement." They would act as "orchestrators," understanding the pros and cons of a chosen system, making deliberate and powerful changes to it in alignment with The Cause and the uncertain environment they were facing, and then continuously steering alignment and reform as necessary. Instead of announcing a new innovation process, they would work within an existing "Innovation Force" unit to adapt insurance or DHS systems to unleash the organization's creativity. Change would be significant and complex; evolutionary where it could be and discontinuous where it needed to be.

Ultimately, the design team commissioned four task forces, each composed of design team members and line leaders, to:

- Improve the process for setting and communicating organizational objectives.
- Revise the human capital and performance management processes.
- Design and implement an enterprise-wide change management process.
- Explore in greater detail the reasons why it "was hard to get stuff done" at Cambia and propose solutions.

The objective setting and communication task force and the human capital and performance management task force are good examples of the approach. Cambia's traditional annual strategy, goal setting, appraisal, and salary change events did not fit the requirements of success in either the DHS or insurance business. To build more responsive management practices in alignment with The Cause and the values, the task forces instituted a shift to quarterly objective setting and performance reviews that supported the pace of envisioned

change. Here they learned from a system being used by a small number of Cambia leaders who found this shorter-cycle process effective for both business results and personal development. The “quarterly conversations” included both **what** the objectives were and whether or not they were achieved, and **how** achievement of the objectives reflected the desired organizational values. A key component of these conversations was validating that the objectives currently being worked on were still the right ones and retaining the option to stop working on them, start new ones, or continue on the course.

Because of the broad involvement of line leaders, because they were essentially re-purposing currently used and tested systems to better support The Cause and agility, and because the proposed process was known by many, implementation proceeded quickly with only minimal communication and management support. The task force presented the proposed changes at Cambia’s annual senior leadership summit, and leaders were asked to make the initial changes within the existing cycle. Implementation coaches, including the CEO as a coach for his direct reports, were asked to oversee the implementation of the process, remove roadblocks, and hold leaders accountable to put the new process in place. In the first cycle, 90 percent of leaders had submitted their quarterly objectives.

The other task forces also made progress.

- The change management task force developed a shared model and process, not unlike traditional models, that was piloted in several groups and approved by the Cambia Leadership Team. There was a strong belief that this was an important contribution to the organization’s overall change capability since its “change muscle” was so weak to begin with, and because the leaders envisioned a future characterized by many simultaneous changes, large and small. Moreover, a common model and language would lay the foundation for the coordination that was expected between DHS and the insurance business. Task force members and others trained in the process served as sponsors who worked with business managers to teach them the model and apply it to ongoing changes in their units. An embedded and shared way of thinking about change was taking place.
- The “hard to get stuff done” task force surfaced important challenges for the design team. Their analysis suggested that effective execution was associated with people in leadership positions who could “make it happen,” find “work-arounds,” and “bust through the bureaucracy.” This old normal view of leadership effectiveness was reinforced when the CEO made changes to several key positions. The new leaders visibly embraced the proposed changes in strategy and operating philosophy, possessed the transformational skills the organization needed, and displayed leadership styles that were aligned to The Cause and the values. Moreover, those leaders began to hire people like themselves thus multiplying the number of leaders with these needed skills. The tentative conclusion – and implication

for action – was that change was a function of getting the right person in the key roles, a conclusion that was to be challenged and modified.

At the same time as the task forces were working, a whole host of emergent changes in structures and management processes were encouraged by the design team. For example, the IT, HR, and other units went through redesigns that were shaped by The Cause and the organization’s values, and that offered many opportunities to intentionally build change capability into the organizations. In addition, the CEO restructured the senior leadership team that was generally seen as too large, too unfocused in its purpose, and misaligned in terms of its decision rights. The CEO replaced the group with four management forums, each with clear membership, decision rights, and alignment to The Cause thereby greatly increased the speed with which decisions were made. This was especially important for the DHS organization. It now had its own management structure and was able to craft strategies and systems that supported its purposes separately from the insurance business. Finally, the CFO replaced the annual budgeting cycle with a set of quarterly investment reviews that aligned to the quarterly objectives and performance conversations.

The confluence of these emergent design changes and the “hard to get stuff done” task force findings created a key learning for the design team: that good leadership alone could not sustain success. Good leadership and good organization design (or the lack of either one) made work and achieving results easy or hard. The design team recognized that they needed to focus on designing and implementing a whole system in which it was easy to get things done. It was an important learning — one that has diffused through the organization — and led to a greater orientation to continually review the organization to make sure it stays aligned with Cambia’s direction in its fast paced environment.

Cambia assessed its progress at both the one-year and two-and-a-half year mark. In year one, interviews with key stakeholders, design team members, and senior executives supported the change strategy and suggested several enhancements. After two-and-a-half years, a resurvey of the organization’s leadership found significant improvements in all dimensions of design and agility, including leaders’ ratings of the extent to which the culture was more “change-friendly.” In addition, respondents reported increased frequencies of behaviors that were considered key to The Cause and the organization’s values and the DHS organization had started or partnered with others to create more than 15 organizations.

### **Analysis of the Cambia Change Effort**

The Cambia case reflects and confirms the activities and dynamics of the “engage and learn” model. The company established many of the change routines that would be a foundation for its change capability through time: processes for continually engaging people throughout the organization in developing new approaches and learning from them. Working

far from the traditional, linear models, it reflects a non-linear flow of the core activities that constitute organizational change capabilities: gaining awareness, designing, tailoring, and monitoring.

Prior to the declaration of The Cause, Cambia's leadership team was in the center of the conversation regarding healthcare reform and developed an increasingly deep awareness of the various storms that were brewing in the industry. Insurance premiums were rising and they were under specific pressures to show value/benefit commensurate with the increases. The Cause was an important if incomplete tailoring of Cambia's strategy, and the process of generating it greatly increased awareness of the changing environment and understanding of the adaptation challenge facing the company and the industry. At the top of most design frameworks, strategy sets the tone for all other design choices. Ganz, his board, and a few executives actively engaged in a foresighted design activity that gave Cambia the luxury of time. They could think about its implications well ahead of the pressures brought on by the Affordable Care Act (ACA).

The deep awareness and anticipation of inevitably disruptive change provided the impetus for a fundamental strategic and organizational change at Cambia. Its reorganization into the core health insurance business and the exploratory direct health solutions business was, and still is, an important strategic bet. It set the stage to build ambidexterity by engaging in two parallel but diverse directions: (1) aggressively changing the capabilities of the core business; and (2) building a second business so that Cambia could help shape and derive value from the disruptive technologies and innovations that are beginning to reshape healthcare, albeit in emergent directions.

Cambia, as many other organizations, found itself swimming in a sea of change and uncertainty, and having to continually transform itself. This is the essence of the "new normal," and the reason why transformation can no longer be conceived of as an episode with a beginning and an end.

With the many simultaneous tentacles of organization change interacting with the many changes and opportunities being sensed in the environment, the system needed a way to guide and catalyze change, and to seek needed alignment and diversity of initiatives and approaches. Cambia's design team was a structured way to teach and diffuse knowledge of design and change to the organization, to approach change incrementally, build on small successes to gain momentum, involve a large number of people in planning and implementing the change, and decentralize much of the implementation. The design team monitored progress against The Cause, reviewed the progress of initiatives, and determined whether they were adding sufficient value to continue or if new initiatives should be started because something important was missing. In many ways, calling the group a "design" team was a misnomer. They were and are much more like a steering team or, in their terms, an "orchestrator."

Cambia accelerated change by focusing on the design of the organization in order to build in change capability—not just by betting the success of a transformation on the new structure or depending on leaders to make big splashes that could not be sustained. No one change was made in isolation, every change was made with a cross-functional team and a member of the design team so that the changes were made in parallel and as a system, and every change was made in alignment with The Cause and the values the organization was trying to instill.

Cambia used an agility assessment to ascertain whether it was fit for the dynamic future it faced, and to monitor whether the changes it was making were working and progress was being made. This future orientation is inherent in the engage and learn model. Yet Cambia also worked to make the capacity to design and implement very specific organizational systems and structures a routine capability, knowing that design and redesign would be a big part of their future success. By building this capability through the organization, it ensured the engagement needed to tailor approaches to the specific contexts faced by different parts of the organization and the diversity required to be successfully embedded in an evolving healthcare ecosystem.

The two-and-a-half year assessment monitored progress, and showed important and impressive improvements. While there is always a temptation to declare victory, almost every Cambia leader emphasized, “we have come a long way, and there’s still a long way to go.” Cambia exemplifies the new engage and learn approach to organization change. Based on their belief that change is a long-term, never-ending journey with uncertain but most certainly temporary destinations, Cambia has made significant changes in the way they operate and have laid the foundation for becoming an innovator in the health care industry. This foundation will support the on-going journey.

### **Conclusion**

Understanding and “managing” change is the topic for our time. The traditional models of change management that served organizations well during the “old normal” are no longer sufficient to guide them through the types of changes they are facing today. The “new normal” calls for different theories of change and changing. The engage and learn model addresses three important and different demands of the new normal.

First, change in the old normal was a project to be managed or a transformation event to be endured. In the new normal, change is an interacting flow of routines and cycles. When change is a project or event, it is natural to ask “when will it be over?” In the new normal, fundamental change never ends, and it is better viewed as something to be catalyzed and steered. The trappings of certainty that come from viewing change as an event should give way to testing and learning and continually adapting. The engage and learn model views change as a function of complexity, uncertainty, and learning, not of executing a detailed plan. It argues



that change does not happen in transformational bursts but through routines that keep the organization focused on results and change at the same time. Change routines become core elements of how an organization operates.

Second, change in the old normal was implemented through the hierarchy and depended on top management support. In the new normal, change will be implemented through networks because the people with the knowledge of what needs to change are often far removed from the C-suite. The organization must acknowledge the pervasiveness of change by insisting that both formal and informal leaders become competent change agents and by creating networks that support learning across the organization.

Organizations members and units will be asked to utilize new technology to develop and try out new approaches, learn what works, implement it, and share those learnings with others. It is their activities that make this engage-and-learn process a routine throughout the organization. Only by making change leadership part of everyone's job can the organization change and learn quickly enough to adapt. Specialized change management roles will shift planning and managing change to helping organization leaders build change capabilities, providing deep knowledge and guidance about the elements of the engage and learn activities, and creating connections for sharing and learning.

Third, change in the old normal typically leveraged sequential activities designed to improve particular subsystems in service of a stable competitive advantage. In the new normal, change is viewed as the source of effectiveness and embedded in agile designs. The engage and learn model vests the change process in the flow of organizing and in the roles and competencies of employees throughout the organization. Change is happening all the time, at different speeds, and in different parts of the organization.

These changes must be viewed in a coordinated fashion to allow the organization to act as a system rather than as distinct parts. An organization change capability is not something to be rented and change is not something that a specialized group does *to* an organization. Rather, people throughout the organization are asked to figure out, in a coordinated way, how to make their units and their interfaces work better, not as a special improvement activity, but as an embedded aspect of the work system. They will be asked to create the kind of organizations that support current and emerging strategies and that fit the demands of a changing environment.

This new view of change does not eliminate the value of traditional change perspectives. Traditional change management models are just one arrow in a rich and diverse quiver of approaches that will characterize the new normal. Adjusting to the stream of pressures and opportunities faced by organizations will consist of a variety of change activities, some of which are best conceptualized and dealt with through a sequential process of

unfreezing, moving, and refreezing on new practices and work systems. But even these traditional theories of change and changing must adapt and give way to new models of change based on complexity, engagement, and learning. They will have to be accelerated and flexible, and they will have to be supplemented by a broad orientation to rapid learning and adjustment. This orientation, in essence, is the antidote to change resistance.

Derived from the years of CEO research in organization design, organizational agility, organization development and change, and human resource management, the “engage and learn” model is offered as our best chance of bringing the organization’s capacity for change into alignment with the new realities of our time.

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