

CHAPTER 3

CHANGE FROM A SYSTEMS PSYCHODYNAMIC PERSPECTIVE

“It’s often easier to change *people* than to *change* people” (Kets de Vries, 2001, p.178).

This chapter reviews change within organisations from a systems psychodynamic perspective. In this review it explores the nature of change, its effects and how it is managed within organisations.

The aim of this chapter is to define change and to understand how it is managed within organisations.

3.1 CHANGE

“Change is the only constant” is a cliché that has never been more true. It is an inescapable reality of all businesses around the world (Bloisi, Cook & Hunsaker, 2003; Krantz, 1998; Krantz & Gilmore, 1989; Nelson & Quick, 2005; Robbins, 2003), and leaves room for only two options: change or be changed! Nelson and Quick (2005, p.391) said “change in organisations is inevitable, but change is a process that can be managed”, and furthermore suggest that organisational adaptiveness, responsiveness and flexibility are key characteristics that will determine competitiveness and survival. This is so because the former approaches to organising and getting work completed are becoming obsolete (Krantz, 1998).

Change and transformation are often seen as inter-changeable terms in the world of business – and thus as a point of departure a clarification of these terms is presented.

“Change is the coping process of moving from the present state to a desired state that individuals, groups and organisations undertake in response to dynamic internal and external factors that alter current realities” (Bloisi, et.al., 2003, p.707). Nelson and Quick (2005, p.3) defined change as the “transformation or modification of an organisation and

/ or its stakeholders”, thus implying that transformation is a sub-set of change and that change is the ‘global’ phenomena. Within change, they suggest that the following categories exist:

- Incremental change: small, but continuous changes to make improvements within the organisation,
- Strategic change: is larger scale change to move from an old state to a defined new state in a series of stages,
- Transformational change: organisations move to a radically different and even an unknown state – it involves changes to mission, vision and leadership.

Furthermore, Robbins (2003) provided some guidance for distinguishing between change and transformation in his review of first- and second-order change. First order change, he said, is incremental and continuous, bringing about change over time. While second-order change, he said, is a re-framing of assumptions within the business and results in a complete transformation of the business and its deliverables. This is a helpful distinction as it starts to provide some insights into the difference between change and transformation – change being aligned to the first-order and transformation aligning to the second-order. Similarly, Rice (1963, p.18) distinguishes between change and ‘major upheaval’ – “Change in organisation – the small-scale change that is going on all the time as well as the major upheaval”.

Change is defined as rendering something different; while transformation is defined as **completely** changing the appearance, form and character of something (Longman Dictionaries, 1995). These definitions indicate that both change and transformation result in an altered state and holds that transformation is a more extreme altered state. For the purposes of this discussion, change will be used to denote both change and transformation.

3.2 THE NATURE OF CHANGE WITHIN ORGANISATIONS

Change is unpredictable as much as it is constant; markets are unstable, technological innovation is explosive; hierarchies change into networks, bosses to coaches, and jobs to ever changing task assignments (Krantz, 1998). In the face of this organisations are under pressure to dismantle deeply held patterns and cherished cultural arrangements – and for many this can be profoundly disorienting (Shapiro & Carr, 1991 cited in Krantz, 1998).

Modern day organisations are undergoing an unprecedented level of change – new technology, changing economic pressures, and altered social dynamics – all lead to downsizing, strategic alliances and / or acquisitions and mergers (Krantz & Gilmore, 1989). These responses generally result in altering structures, policies, procedures and role design (Krantz, 2005). These serve only to amplify complexity within organisations and for its members, and are highly disruptive within the system. In systems terms, organisations are now operating in environments which are characterised by increased complexity (Krantz & Gilmore, 1989) and disruption.

The adaptations which organisations are making have coalesced into a consistent and common set of overarching themes which include:

- a sharply disciplined focus on customer satisfaction;
- replacing command and control methods with ones that elicit greater employee commitment;
- greater emphasis on learning and adaptability as new challenges and opportunities emerge; and
- addressing competitive issues through cross-functional collaboration, rather than via functional silos of old (Krantz, 1998).

Krantz (1998) goes on to suggest that the most pervasive theme is the recognition that to thrive in a intensely competitive, technologically unstable, and rapidly shifting market, organisations need to create a highly participative environment in which all people (at

every level) can feel and take personal responsibility for collective achievements and in which they are emotionally invested. He further highlights the paradox presented here in: the very conditions that put a premium on collaboration are the very conditions that pose a challenge to achieving this collaboration. For example, the loss of familiar structure may require the development of new and more fluid approaches to collaboration, but this loss of the familiar simultaneously creates anxiety, which mobilises the defensive responses that impedes the required collaboration.

The nature of change is that it happens both inside and outside the organisational boundary. While the external environment changes at a constant (and often alarming) rate, so too internal dimensions are adapting and changing. Organisational members thus have to contend simultaneously with this challenge – maintain focus on the primary task as it shifts like moving goal posts.

3.3 THE EFFECTS OF CHANGE WITHIN ORGANISATIONS

The impact of organisational change efforts can be disabling and even devastating to the organisation and its members (Krantz, 2005). The loss of familiarity and safety become profoundly disorienting for many within the organisation (Krantz, 1998). Unlearning habitual patterns can also be very anxiety provoking, even when those patterns are dysfunctional (Kets de Vries, 2001).

Initially members may attempt to resist the change. “Any healthy system will resist change, because as a living system, its life depends on its ability to establish a steady state” (Rice, 1963, p.262). While resistance is almost a natural and automatic response to change, Rice (1963) suggested that this resistance becomes problematic when it leads to a conscious or unconscious re-definition of the primary task – for its own sake. Resistance stems from fear; fear of loss (of status, or authority), or fear due to insecurity (Kets de Vries, 2001). He further highlighted that leaders who are resistant to change have a devastating effect on the organisation.

Change also results in heightened levels of member anxiety. The effects of change manifest in the ways in which members attempt to deal with this heightened anxiety. In an organisational context, rituals are evoked to induce thoughtlessness and by not thinking, employees avoid feeling anxious (Hirschhorn, 1993) – these rituals are called social defenses. As mentioned, “(T)he social defenses work through such processes as splitting, projection, and introjection” (Hirschhorn, 1993, p.2). Bureaucratic processes, according to Hirschhorn (1993) are frequently disguised forms of social defenses. In bureaucratic systems, leaders are protected from anxiety by the layering of controls that separate them from their subordinates (Hirschhorn, 1993). He added that superior-subordinate and role-person boundaries are automatically maintained by a system of bureaucratic procedures.

The social defense systems created in an effort to reduce anxieties have the effect of narrowing their range of experience and understanding precisely when it should be expanding (Hirschhorn, 1993; Krantz, 2005). When anxiety is no longer kept in check with social defenses, it leads to more primitive projections and scapegoating (Hirschhorn, 1993). Furthermore, Hirschhorn (1993) highlighted that an impersonal environment results in a situation in which everyone is alienated and leads to punishment and hurt for the members. Krantz (2005) added that reverting to splitting, denial, and projective identification to cope with anxiety inevitably leads to disturbing and threatening organisational environments. Furthermore, he suggested that functional interactions become rigid, blame ridden, and spirals into fragmentation and persecutory functioning that dominate and paralyse the organisation. Paradoxically, it is often the change process that dismantles the social defense system, which protects the members from intrusion of primitive processes (Krantz, 2005). This, he added, is often the source of resistance to change – signalling an unwillingness on the part of the members to give up features of organisational life that has helped to keep painful anxieties at bay. He further stated: “efforts to innovate confront organisations with a paradox of change: change undermines the features of organisational life that foster the very qualities of functioning required to make change succeed” (p.3).

In addition to the anxiety that change provokes, it creates fear and a weakened capacity to contain disruptive emotional states (Krantz, 2005). Change also creates feelings within the individual that he has no control, and Hirschhorn (1993) highlighted that this leads to him feeling persecuted, which results in the super-ego voices that accuse the individual of being worthless and helpless, being stimulated. When this becomes unbearable, the individual will project it onto the perceived persecutor in a 'fight' reaction to 'attack'.

A further effect of change is the production and distribution of emotional toxicity (Krantz, 2005). Toxicity is the primitive mental contents that lead to destructive consequences within organisations when these are projected and enacted. This, according to Krantz (2005), is the result of a failed containment.

3.4 THE MANAGEMENT OF CHANGE

The course of change does not only evoke heightened anxiety, but as Krantz (2005) pointed out is often shaped by it. Managing the evitable change is crucial – because finally, leaders who cannot bring about the necessary adaptations within the organisation will not survive, or alternatively, the organisations that they lead will not survive (Rice, 1963). Often managing the change also means managing the resistance, and Kets de Vries (2001) pointed out that managing resistance is best achieved by highlighting that change benefits outweigh the fears – “they have to be made aware of the costs, to themselves, of not changing” (p.192).

“The major problem of the management of change is the development of more sophisticated techniques for the controlled assimilation of continuous change. The capacity to change depends on the skill and competence of those who initiate it to take other members ... with them” (Rice, 1963, p.264). As Kets de Vries (2001) pointed out many people have the will to change, but lack the skill to change and thus need help to navigate the process. Furthermore, he added, that since people often do not reject new ideas, but rather have difficulty letting go of old ideas, change efforts have to be both cognitive and affective – it has to engage both the head and the heart. Thus change, he

said, is embedded in the process of individual change, and happens one individual at a time. Therefore, to effect change within the individual, one has to understand the individual's personality.

Furthermore, from a psychoanalytical perspective, any effort to bring about change must first focus on an understanding of the phenomena that are to be changed (Czander, 1993). This includes an understanding of the forces that inhibit change, and lead to apathy, inflexibility and bureaucracy, since these give insight into the unconscious motivations of members (Czander, 1993). This, according to Czander (1993) is particularly important when considering second order change – change which strives to alter the basic values and beliefs of employees.

Krantz (2005) added that the challenge, when managing change, is to create the conditions that help people cope with the distress of change and do this in a manner that protects the members and the organisation in order to function effectively. Dependant individuals may expect that the leaders omnipotently control their environment or to omnisciently foresee and prepare for every future change (Rice, 1963).

Krantz (2005) suggested that since major organisational change efforts pose great psychic challenges to its members, organisations need distinctive conditions to be able to contain the anxieties evoked by these upheavals. He further suggests that without these conditions, change efforts are likely to fail. Although people work hard to reduce or avoid anxiety by splitting their consciousness and projecting onto others (Bion, 1961; Hirschhorn, 1993; Krantz, 2005; Rice, 1963), they also wish to restore their own sense of wholeness (Hirschhorn, 1993). Thus Krantz (2005) suggested change efforts include features that fill the social defense vacuum, and that support members' efforts to protect themselves. He suggested the following elements that could successfully take on social defense functions:

- Transition planning structures that are authorised to manage complex issues;
- Outplacement support moderates persecutory anxieties that stem from downsizing and moderates the guilt of those who remain behind;

- Articulation of vision, purpose and goals enables members to take on a more realistic stance towards change; and
- Communication that ensures members are provided with information.

However, Rice (1963) highlighted that to disclose all the problems may make followers so anxious that it impairs current performance, while disclosing nothing may lead to feelings of abandonment and resentment. It is therefore crucial the leader establishes a balance; this balance is predicated on containment and demonstrating values (such as honesty) that instil a leadership ‘compact’. The change that is most likely to be accepted is the change directed towards more effective performance (Rice, 1963).

Kets de Vries (2001) offered five key components necessary for any change effort – both individual and organisational:

TABLE 3.1
INDIVIDUAL AND ORGANISATIONAL CHANGE PROCESS

Individual Change Process	Organisational Change Process
<ul style="list-style-type: none"> • Concern: the process of change is started by an inducement of distress or pain; distress that outweighs the benefits of secondary gains such as sympathy or attention. This unpleasant emotion, precipitated by a stressor of some kind, brings about an awareness that negative consequences can be expected if the dysfunctional patterns continue. This is the beginning of the realisation that all is not well. 	<ul style="list-style-type: none"> • Similarly, organisational change processes are initiated by some ‘pain’ – typically caused by threats from competitors, declining profits, or internally by poor leadership, low morale, absenteeism, etc.
<ul style="list-style-type: none"> • Confrontation: this is the final ‘push’ that triggers the individual into action. Resistance is broken down and new insights are gained; their emotional energy is focussed on the future, not on past concerns. 	<ul style="list-style-type: none"> • ‘Creating a burning platform’ and ensuring this discomfort is at a tolerable level. Resistance is broken down by recognising the fear evoked at an individual level.

<ul style="list-style-type: none"> • Clarification: this is the public declaration of the individual's intent to change. This enhances determination and elicits support and thus acts as a reinforcement for change. 	<ul style="list-style-type: none"> • Creating a 'collective ambition'; establishing a vision and building support and systems that allow for change.
<ul style="list-style-type: none"> • Crystallisation: this is the inner journey, sometimes painful, that increases self-knowledge and creates a new beginning. 	<ul style="list-style-type: none"> • Provide employees with what they need to make change effort successful; increasing their emotional intelligence as well as their competencies.
<ul style="list-style-type: none"> • Change: this signals a new mindset – a new way of looking at things is internalised. 	<ul style="list-style-type: none"> • Improving business performance.

(Adapted from Kets de Vries, 2001)

The above proposition (Kets de Vries, 2001) aligns to the basic psychodynamic therapeutic process that gives prominence to motivations that lie behind behaviour, and which is based on the idea that abnormal behaviour, emotions, and cognitions stem from distorted internal motivations that can be rectified through insight and re-learning (White & Watt, 1981). Once insights are determined, through extensive introspection, these are translated into actions and new life patterns (White & Watt, 1981).

The forces which work with or against change efforts are defensive structures (also mentioned by Krantz, 2005), emotional reactions and perceptions of self and others (Kets de Vries, 2001).

A further guide, helpful in understanding the change effort, is provided by Klein's (1940, 1946) framework which describes two modes of functioning that form the basis of how the world is experienced by the individual (cited in Krantz, 1998). These modes are established in early childhood (Halton, 1994; Krantz, 1998). In the one mode, called paranoid-schizoid, people cope with anxiety and threatening fears by relying on the primitive defenses such as splitting, projective identification and idealisation, which in turn lead to distorted thought patterns, scapegoating, blaming, and persecution (Krantz,

1998, 2005). Splitting and projection are the predominant defenses for avoiding pain in childhood (Halton, 1994). This paranoid-schizoid mode, thus describes both 'paranoid' responses referring to badness being experienced as coming from outside of oneself, and 'schizoid' responses referring to splitting (Halton, 1994). This Halton (1994) said is a normal stage of development, occurring during early childhood, and as a state of mind, it can occur throughout life. When individuals get stuck in this mode it develops into dysfunction and as Krantz (1998) pointed out, functioning from this mode compromises an individual's ability to engage in interpersonal relationship and concrete thinking result in rigidity and a loss of creativity. Through normal maturation separated feelings such as love and hate, hope and despair, acceptance and rejection and sadness and joy, can be integrated, and this stage of integration is what Klein called the depressive position (Halton, 1994). In this stage, coming to terms with the complexity of internal and external realities initially stir up feelings of guilt and concern that lead to a desire for reparation and thus stimulates creativity (Halton, 1994). Functioning from this position (mode), people experience themselves and others as integrated, and thus enables the integration of experiences and the meaningful collaboration that extend beyond a concern for survival and self-protection (Krantz, 1998).

Thus the unconscious spectrum of psychological functioning extends from the paranoid-schizoid position to the depressive position. Both positions (modes of functioning) are considered normal stages of development; the former preceding the latter (Halton, 1994). However, any normal functioning that is over-extended and left unmodified may be the root of serious dysfunction (Kets de Vries, 1995), and therefore extended paranoid-schizoid functioning delays the formation of the integrative depressive position, and thus results in dysfunction. In adult life, when people operate from the paranoid-schizoid position the organisation is at risk (Krantz, 1998).

According to Krantz (1998, citing Lapierre, 1989), operating from the paranoid-schizoid position brings forth grandiosity, persecution and inflexible thinking. Krantz (1998) further highlighted that from this position, the exercise of power is shaped by grandiose and unrealistic ideas that culminate in ineffective efforts. On the other hand, operating

from the depressive position, people are more in touch with the inner and outer realities, and are thus more realistic. “In the depressive position, omnipotent fantasy, obsessional ritual and paranoid blaming can give way to thinking: one can seek to know, to learn from experience and to solve problems” (Roberts, 1994, p.118). From the depressive position, people are able to mobilise resources to confront complexities, and they are able to collaborate as whole people, with whole people (Krantz, 1998). When managing experiences, people operating from the depressive position, are able to tolerate complexity, assess reality from multiple perspectives, and to understand realistic opportunities, and furthermore allows for individuals to take responsibility for their actions, rather than to resort to splitting and projections (Krantz, 1998).

Using this spectrum, Krantz (2005) developed an understanding of change efforts related to these modes of functioning, labelling those that resemble the paranoid-schizoid position primitive change efforts, and those that resemble the depressive position he called sophisticated. The sophisticated efforts are those that support higher level functioning and where anxieties are contained to prevent dysfunction and scapegoating (Krantz, 2005). A key difference between the two types of change efforts (primitive and sophisticated) is the orientation towards the future (Krantz, 2005). He indicated that a more hopeful attitude is adopted in sophisticated change efforts, and this is tempered by an appreciation of the challenges involved. This makes the confusion and uncertainty manageable, since it provides a positive image of the future and provides connectivity to the past and realistic possibilities (Krantz, 2005). In contrast, the primitive change efforts are typified by a dual, split image of the future; on the one hand an idealised and grandiose image is created and on the other hand there is a cynicism and despair that permeates the organisation about the prospects for implementing the change (Krantz, 2005). Furthermore, primitive change efforts can be sub-divided into two types: persecutory efforts and grandiose efforts (Krantz, 2005). In persecutory-type efforts managers of change feel change is imposed on them and that they are forced to implement it (Krantz, 2005). He (2005) described the grandiose type efforts as characterised by expansive aims and heroic idealisation and self-idealisation of the change manager. Change efforts generally fall somewhere between the two poles on this

hypothetical continuum, and are rarely static (Krantz, 2005). Roberts (1994) suggested that the depressive position, aligned to the sophisticated efforts according to Krantz (2005), is not attained once and for all, and that whenever survival or self esteem is threatened, there occurs the tendency to return to a more paranoid-schizoid way of functioning, hence the primitive effort. However, while change efforts result in anxieties that evoke primitive processes, people's ability to recover and avoid being stuck in primitive defensive postures is indicative of sophisticated change efforts, and is also a predictor of success (Krantz, 2005). Therefore, Krantz (2005) said that the hallmark of sophisticated change efforts is the capacity to recognise the primitive and destructive modes of operating, and to think about them and to respond appropriately. Thus, as indicated above, confrontation that leads to insight and re-learning (Kets de Vries, 2001; White & Watt, 1981) enables the shift from primitive change efforts towards more sophisticated change efforts.

Invariably organisations change. The success of the change efforts vary. Kets de Vries (1995) showed that the average age of the largest corporations in America is no more than forty years and furthermore that over a twenty year period more than one third of the Fortune 500 companies had dropped off the list. Organisational decline is common – and various factors account for this decline. Fortune 500 companies applauded for creativity, financial soundness, and quality are ranked and it is reported by Kets de Vries (2001) that IBM dropped from first place in 1983 to 102nd by 1997, and that Kodak dropped from 4th place to 77th in the same period. The decline of organisations is common place, although it is not necessarily inevitable. According to Kets de Vries (2001) success can be maintained only if organisations are able to adapt to change. Thus one could deduce that organisational decline is as a result of an inability to adapt to change. Furthermore, it is clear that organisations' capacity to adapt is a function of the individuals' capacity to adapt to change. Those that lead the change are leadership. Kets de Vries (1995) reported that the critical factor impacting on organisational decline is leadership, more specifically those leaders who were unable to tame excessive narcissism. Sofer (1961, cited by Rice, 1963) also highlighted the significant impact that a dysfunctional leader has during the crisis of change. He pointed out that the leader, who gives priority to his

personal needs (his own vulnerabilities) over the organisational needs, perverts and diverts the adaptable parts of organisational behaviour and prevents the organisation from fulfilling itself.

3.5 INTEGRATION

It is clear that change is not an exception, but rather the rule – it is constantly present and manifests both externally and internally; individually and collectively. Leaders are inescapably tied to the role of change agent and leaders operating at the boundary, are required to navigate the members of the organisation through the change process.

Change is anxiety provoking and evokes a variety of responses, from resistance to manipulation of the leader, to primitive defenses. The change management process, led by the leader, has to take cognisance of all these factors, ensuring that both the conscious and unconscious motivations of the individual members are acknowledged. This requires that the change effort be precipitated by an in-depth understanding of the factors that inhibit change (at an individual level), and that the inducement to change is highlighted in a manner that does not paralyse the members, but rather mobilises them towards embracing a new and collective vision. Embracing a new vision will entail changing the organisational processes that serve as social defenses for its members, and ironically this hampers the members' ability to cope with anxiety, causing them to revert to splitting, denial, and projective identification in order to cope with anxiety. This invariably undermines change efforts as it creates an organisational environment that is rigid, blame ridden, and fragmented. Tying change to the primary task and ensuring that change effort will in fact assure improved performance, without neglecting the impact of the basic assumption group functioning, is crucial.

The leader undermines efforts for effective change management when he allows his personal agenda to take precedence over the interests of the collective. Change efforts are also compromised when the leader is resistant to the change.

Change efforts manifest along a continuum from primitive to sophisticated, and these efforts navigate along this continuum dependent on the level of insight those leading the change have into their own mode of operating. Recognising, confronting and thinking about the primitive and destructive modes of operating leads to insight and this enables the shift from primitive change efforts (paranoid-schizoid position) towards more sophisticated change efforts (depressive position).

3.6 CHAPTER SUMMARY

This chapter reviewed change, providing a definition of change for the purposes of this study. It further also discussed the nature and effects of change within organisations, and in so doing highlighted the impact of change at both an individual and organisational level. In order to understand the role of leaders in the change process, the management of change was also presented. The central role of leaders in the change management process was highlighted, as was the effects of poor leadership during times of change.

The aim of this chapter was to establish an understanding of change and how it is managed within organisations.