Strategic Change Management and the Use of Internal Communication

The case of HP

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1. INTRODUCTION

1.1. Problem Field

Heraclitus is the first philosopher who named change as the essence of everything and set his πάντα χωρεῖ καὶ οὐδὲν μένει\(^1\) against former views, who saw life as a static or cyclical entity (Vercellese, 1994). Centuries later change remained to be seen as inevitability, prescribed by a higher instance; a process insusceptible to control. It is the feature of contemporary individuals and organizations to consciously seek to control it and manage it for strategic success.

Managing change has received increasing attention as both internal and external factors accelerate their pace and challenge organizations to respond accordingly. An integral part of strategic change is effective internal communication that corresponds to each stage of the strategy. Communicating to employees as internal stakeholders is viewed as crucial for the outcome of change programmes. Launching a planned communication strategy for the purpose of informing timely is a prerequisite for fruitful feedback and eventual success (Barrett, 2002). Allowing employees' voices to be heard can develop better understanding about how internal communication can facilitate strategic objectives. Senge (1990) warns that “redrawing the lines and boxes in your organizational chart without addressing the way people within the organization interact may be like rearranging the deck chairs on the Titanic”. Thus, understanding people’s responses to change is instrumental in fostering their support and reaching organizational goals for the sake of mutual benefit.

Strategic change is seen differently by senior management (change strategists) and employees with no decision-making power (change implementers and change recipients). Due to differences of political character, these three types of actors in the change process perceive the communicated strategic objectives in often conflicting ways. In contrast to employees' views, the opinions of senior management and their raison d'etre for pursuing strategic change are available through official corporate communication or mass media. Therefore, in order to reach full cognition, it is important to illuminate the communication process as perceived also by employees. The significance of the current problem field acquires further proportions, when positioned in the presence of contemporary communication systems. Members of modern organizations enjoy an unprecedented freedom to voice personal opinions both throughout and outside the workplace. The speed of media allows for fast sharing of messages that can affect organizations both directly and indirectly. Therefore, change management needs to effectively listen and communicate with employees.

\(^1\) Everything changes and nothing remains still; Heraclitus of Ephesus, c. 550 BC.
Bate (in Rodgers, 2007) describes managers as “fiction writers” and endorses the idea everyday conversations and interactions “make up” reality at the workplace. Thus, what really matters is not what happens, but what is perceived to have happened (ibid). This thesis sets to explore and analyze how communicated strategic objectives of change strategy got perceived by employees, what reactions they invoked and what implications the process had on strategy implementation. The case chosen to illustrate this is the strategic change, directed by HP between 1999 and 2005. The interest behind this case is both intrinsic (personal interest in the company and in the Silicon Valley in general) and instrumental (interest in applying theories of internal communication and change management to a context-based situation). While this case study is historical in its essence, it is indispensable to current events at HP. Issues like competitiveness on the personal computer market and communicating strategic objectives to both internal and external stakeholders are still discussed at the present moment (Meyer, 2011).

In order to gain deeper understanding about how internal communication can facilitate change, an investigation will be carried out of how employees perceive the communication of strategic change. A case was selected purposefully to provide a detailed illustration of the process and position the theoretical aspects of the chosen problem field within a real-life context.

1.2. Purpose

The purpose of this thesis is to reveal how internal communication is used during strategic change as perceived by employees themselves. This in turn will help identify the effective and the ineffective practices in utilizing internal communication in change.

1.3. Problem Formulation

Hewlett-Packard (HP) is one of the leaders in the computer hardware market, starting as the ambitious endeavour of Stanford students Bill Hewlett and Dave Packard. The company was founded in 1939 in a converted garage and its very foundation and early steps were typical for what would later on become imbued in the organizational culture – taking risks and early initiative, high-edge innovation, unorthodox tech-ideas. Through the years HP grew steadily and kept on investing in new areas, very often with uncertain financial return, but consistently venturing into new markets and realizing innovative ideas. The cultural fuel and main driver of the company as defined by the founders and the senior executives were the employees who embodied the seven

2 Facts on HP historical events are retrieved from HP Timeline as published by the company. See Bibliography for links to company related documentation.
elements of the so-called HP Way (Dearlove, 1999: 94). The organization was renowned for its great care to employees and its specific organizational structure that would meet the above mentioned priorities. While profits were on the rise and HP was successfully riding the wave of the digital revolution the HP Way never got questioned. Furthermore, the legendary now figures of the founders would give an additional glow to the historical importance of the HP Way and the policies it embraced.

The organizational status quo was challenged with the appointment of Carlton (Carly) S. Fiorina as the new CEO (chief executive officer) in 1999. The new strategy she devised and set out to implement was a major planned change. In order to explore how employees interpreted the strategic change as communicated internally and what practices were effective/ineffective; the following problem statement was formulated:

*What was the use of internal communication as a tool of strategic change management in the case of HP?*

### 1.4. Research Questions

In order to approach the problem area, address the problem statement above and facilitate the research focus, the following research questions were formulated:

**RQ 1:** *What were the origins and impact of change in the case of HP?*

**RQ 2:** *How did employees perceive the communicated strategic change?*

**RQ 3:** *How can organizations undergoing strategic change have effective internal communication?*

The next chapter will offer the theoretical and methodological grounds, on which this thesis addresses the problem statement and the formulated above research questions.
2. THESIS DESIGN AND METHODOLOGY

2.1. Research Purpose

The purpose of this thesis is to reveal HP’s change communication approach as perceived by employees themselves, and gain understanding of both its strong and weak points for the goals of HP’s strategy.

2.2. Research Paradigm

This section will present the theoretical and methodological grounds on which the problem statement will be answered. It seeks to explain and advance arguments on the three aspects of the research paradigm (ontology, epistemology and methodology), chosen for addressing the problem field. Since this thesis employs a qualitative research enquiry, it is an even more important requirement that the analytic standpoint\(^3\) of the author is clearly stated. Such an argumentation is crucial for understanding and tracking the whole research process: from data collection and knowledge generation to reaching scientifically valid conclusions. Its main function is to serve as a guide throughout the research process and increase the visibility of any biases and previous experiences that might influence it. “Different ways of doing research generate different forms of knowledge” (Daymon & Holloway, 2011: 99). Thus, the choice to follow a research paradigm has a direct impact on any emerging findings.

Within science studies, four research paradigms exist: critical theory, positivism, post-positivism, and constructivism. These take a widely differing approach to **ontology**, **epistemology** and **methodology** (Heldbjerg, 1997: 29). In the following subsections argumentation will be given for the choice of each of the three.

2.2.1. Ontology

Ontology is the fundamental and first aspect associated with a research paradigm and it influences the other two. According to Daymon and Holloway (2011: 100) it refers to existence – what is said to exist. This thesis takes on the notion of **social constructivism**: a single absolute and objective truth does not exist and reality is a socially constructed entity (Creswell, 2003). As such it is susceptible to interpretation and open to alternative explanations, given they're

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\(^3\) Other terms, often used interchangeably throughout literature, are “philosophical stance”, “philosophical base” and “ideological perspective”.
supported by valid argumentation. In the context of this thesis constructivism concerns the multiple meanings of experiences (historically and socially constructed) with the author’s intent to develop a better understanding of how internal communication can be utilized in strategic change management.

2.2.2. Epistemology

Epistemology refers to “the relationship between the enquirer and the known” and “determins what counts for valid knowledge” (Daymon and Holloway, 2011: 100). It constitutes the way the researcher investigates the subject matter (Heldbjerg, 1997: 28-30). Both the nature of the research purpose (examination of the role of internal communication in change management) and the chosen ontological stance above (there is not one single way to interpret how communication is employed) point at an interpretative framework. The problem statement of the thesis is context and time bound and relates to a unique situation in which human beings interact communicatively. With such an orientation, based on both the essence of the problem field and the chosen ontology, qualitative methods prove to be the best to answer the research questions. The main purpose of the thesis is to understand, not to measure. Therefore, a quantitative approach would be of no benefit. A qualitative approach, on the other hand, would help a researcher with the given orientation to “gain an understanding of the constructs held by people in that context” (Mertens 1998: 161). It has to be noted that the term qualitative is not equivalent to interpretative, but rather based on its philosophical assumptions (Daymon and Holloway, 2011: 101-102).

Social interaction between humans is a rich and multifaceted picture, therefore challenging to describe and analyse through quantitative enquiry alone. Moreover, one of the main goals of quantitative research is measurement and generalization (usually the wider, the better). None of the two is related to the purpose of this thesis. On the contrary, the thesis sets to present a specific, time and context bound situation, attempting to analyze the communication process in its interconnectivity and complexity. Another reason for choosing interpretativism is the author’s belief that people are too often objectified in both academic and non-academic managerial literature. Although many authors now make a significant shift of focus from managing to leading people, the prevailing rhetoric still suggests human beings are liable to control in the same way all other corporate resources are. While reading texts on utilizing communication in change, it got even more obvious that positivist research is dominant in the field. Varey (2004) expresses a similar view in his article Methodological issues for corporate communication research. After

Section 2.7. provides further insight into research validity.

Daymon and Holloway (2011) call this approach idio graphic (from the Greek “ιδιος” – self), in contrast with the interest in generalizing on the basis of numerous similar situations.
examining the prevalent methodology in contemporary corporate communication books, he goes even further, stating the whole domain of corporate communication is limited to eighteen theories on human communication – all positivist. As a result, “the possibility of a social (political) process is unrecognized or ignored” (Varey, 2004). Moreover, “humans are treated as things (to be observed and manipulated), personal identity is reduced to ownership of commodities (brand), social relations are conceived in marketing terms (buyer–seller), and the question of the contribution of management work to the social good is unasked by most” (ibid.). This thesis attempts to address this imbalance, taking an interpretative standpoint within a social constructivist ontology. It seeks to recognize the ignored sides of participants in the change process and position them within a socio-political context.

Given the above observations, critical theory was considered as a philosophical base for this thesis, but eventually rejected. The problem field might be seen as tackling an asymmetrical communication process that needs to undergo improvement for the sake of social justice. However, the very goal of critical research is to take action, create “ideal communication” (Klikauer, 2008) and achieve “some sort of empowerment and emancipation of those whose voices may not be heard” (Daymon and Holloway 2011: 103). While this thesis focuses on the opinions and experiences of employees, it does not in any way aim to reinforce, test or advocate a single model of ideal communication; neither does it seek to propagate social activism. While inequalities are (and should be) discussed, it is unreasonable to believe there is one ideal way of communicating or leading change. Critical theory lies on the assumption the empowered in an organization would use “instruments of domination, distortion and oppression” (Klikauer, 2008: 21) and workers would know what is best for them. It can’t be generalized these would be always true in a real-life situation.

To the contrary, Carey (1975) defines communication as ‘a symbolic process whereby reality is produced, maintained, repaired, and transformed’. No assumptions are held in advance about what the various actors in a communication process would do. It is then logical to assume that a methodological paradigm, favouring the interpretative approach, would grant better understanding. This assumption is supported by Biggam (2008: 222), who argues that within an interpretative framework “understanding of the world can only be accessed through social interaction, and that such interaction in turn is understood in terms of the context of the interaction (time and place).”

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6 Asymmetrical here refers to a communication process that is characterized by input and power imbalance. Thus, we might divide the actors in this thesis into two opposing entities (change strategists and change receivers), who are unequal by definition.
Hatch (1997) summarizes the multiple perspectives of organization theory, and Klikauer (2008) gives the corresponding theoretical perspectives when specifically researching communication in the workplace. These two sources served as a guide in the preliminary review of available approaches.

### 2.2.3. Methodology

The methodology, chosen for addressing the problem statement, is the *single embedded case study*. The current section will offer the reasoning behind this decision.

Given the people focus of this thesis, qualitative research grants the opportunity of “analysing concrete cases in their temporal and local particularity and starting from people’s expressions and activities in their local contexts” (Flick 2009: 21). Measuring quantitatively the impact of internal communication on employees as seen by employees themselves would not grant understanding of which communicative approaches and tools worked well and which didn’t, what communication strategy triggered what reactions and attitudes and why. After identifying qualitative research as most relevant both in this and the previous section, a concrete methodological approach needs to be chosen.

The topic of interest is characterized by high contextuality, i.e. it refers to a given case in a single company, and data collection was available from more than one source. Case studies allow for a combination of multiple methods for a single purpose and differ from “other qualitative approaches because of their specific, in-depth focus on a phenomenon in its naturalistic setting as an object of interest in its own right”. (Daymon and Holloway, 2011: 114).

Flyvbjerg (2006), one of the most ardent proponents of case studies among contemporary researchers, claims context-dependent knowledge is at the very heart of expert activity and closest to the complexity of real life. Yin (1994) identifies case studies as the best approach when the research question is “why”, “how”, and “what”. They’re particularly suitable when the goal of the problem statement is explorative and the researcher aims at understanding a phenomenon (Weidersheim-Paul & Eriksson, 1997). The following characteristics of the case study, as outlined by Piekkari (2009, in Daymon & Holloway, 2011), were found particularly relevant to this thesis:
- Undertaking a detailed analysis of a case…;
- Trying to understand it from the point of view of the people involved;
- Noting the many different influences on, and aspects of, communication relationships and experiences that occur within the case;
- Drawing attention to how those factors relate to each other;
- Often also noting the broader social forces and regimes of power in which the case is embedded.
Placing the accent on the opinions of HP employees is an undividable part of the outlined research purpose. Thus, the case study approach adequately complements this goal. It also allows for exploring a small number of objects from multiple sides, while focusing on dynamic processes, rather than static conditions (Weidersheim-Paul & Eriksson, 1997). A change effort in a globally operating company like HP is a dynamic process that extends over a period of several years\(^7\), rather than a static condition. The two authors (ibid.) identify the following characteristics of the case study methodology: an emphasis on the role of actors, studies of historical causes and events, and its good ability to communicate reality.

Choosing a single case study means one company is being examined and not more. Therefore, there are no comparisons to be made. Yin (1994) points out that multiple case studies give a possibility to compare, but less time and resources can be devoted to each given case.

### 2.2.4. Methods for Data Collection

Multiple methods were used for data collection. Both primary and secondary data were utilized in order to guarantee data triangulation and quality of research.

Primary data are the ones collected especially for the purpose of this thesis (Weidersheim-Paul & Eriksson, 1997). They include interviews with HP employees who were personally involved at different stages of the change process. Interviews were semi-open, i.e. the same core questions were asked to all informants, but beyond them there was a considerable level of freedom. This allowed informants to share anything they thought was relevant and ask questions back. This approach is more time-consuming, but also more rewarding in its depth of understanding, compared to standardized surveys. The author believes that adhering to a two-way symmetrical communication mode was crucial for the process of trust-building – an important prerequisite for acquiring valid data. Informants were more open after provided with sufficient time for reflection and informed in detail about the research process. The interview guide was devised on a chronological base in order to insure no significant steps of strategy were left out.

Secondary sources include industry and corporate documents, company and case related articles in the business press and the academic literature. These served for: reconstructing the company’s position at the time; providing a truthful picture of the company’s history; comparing and double-checking the accounts of interviewed employees; and ensuring facts were checked against each other with at least one more source. A major source of secondary data was a

\(^7\) More on the temporal scope of this thesis can be found under section 2.6.
website, administered by HP employees, where they shared opinions on strategy and leadership under Carly Fiorina. Many accounts there were found relevant for the research purpose and analysed alongside the interviews. Reviews of the company, published by HP employees on Glassdoor, were used to corroborate and check data; however, findings are not based on them.

2.3. Sampling

As typical for case study research, sampling is purposeful and directly serving for answering the problem statement (Daymon and Holloway, 2011). The employees selected for this thesis did not participate in shaping the change program on a strategic level, i.e. they were not the major decision makers. These selection criteria were found to be most relevant to the research purpose, whose goal is understanding the change communication process as experienced by employees with no senior management functions.

In order to have a clear overview of the change process and the communication that accompanied it, employees have been interviewed from different departments, carrying out different roles in the change process. Due to the lack of access through official corporate channels, informants were selected and then approached independently. LinkedIn was widely used for: filtering potential informants and identity verification. Main discriminants during the pre-interview search process have been: users’ location (as this thesis focuses mainly on employees, who worked in the HQ and had closest contact with senior management), employment history (employees with multiple referrals were preferred) and period of employment at HP (due to the clearly defined temporal scope of this study). The employees, selected to be suitable for an interview got contacted and the purpose of the case study explained. A total of 88 identical requests for interviews were sent to suitable employees (both former and current). From these, 16 sent a positive answer back and agreed to be interviewed.

2.4. Ethical Aspects

Throughout this thesis quotes from this website include first name of employee, followed by years of employment at HP. Glassdoor.com is an online community where employees at all levels of organizations openly share their views on current and former employment; analyse and review their workplace, according to set criteria. LinkedIn is a social platform for industry professionals. That is, the more connections with other HP employees the user had in his/her network, the higher the possibility for being selected for the interview process. Having more referrals was considered a valid selection criterium as it demonstrated an employee is socially active and engaged, as well as legitimate within his/her peer group.
The employees interviewed for the purpose of this thesis are referred to as informants and interviewees. In search for an optimally neutral terminology, these were considered the most relevant terms. They imply that employees provided information by their own free will through participating in a two-way communication process on an equal base with the researcher (as opposed to being respondents with no possibility for interaction). Their identity, as promised to them, is not revealed and no names have been mentioned throughout the text. For the purpose of differentiation (when needed), informants are referred to with their position (e.g. engineer, administrative staff) and departmental affiliation (e.g. R&D). On the contrary, personal details and information, when willfully displayed by HP employees, were considered public, as they have been made public by choice.

2.5. Data Analysis
Investigation progresses from the micro-level (with data collected on how employees interact communicatively within the specific context) to the macro, attempting to identify broader structures. Data collection and analysis were carried out simultaneously and iteratively. The process commenced with identifying core themes, using a “topic code” (Richards, 2005), i.e. tagging the emerging themes that are directly related to the problem field. Main goal was to minimize the number of topic codes until a steady set of communicative issues emerges. The topic codes then served as a basis for analyzing the main aspects of internal communication in relation to the change process. Coding continued until data saturation for a given code was

![Diagram of iterative cycle of interpretation](image)

reached, i.e. informants began to repeat what others already indicated and no new data emerged. Analysis in this thesis is carried out following a within-case analytical approach (Yin, 2003) – the context-based findings were integrated within the framework of existing theoretical constructs in the field of internal communication and strategic change management. Daymon & Holloway (2011: 317) advocate such an approach and endorse the idea "true analysis involves giving your data wider significance by positioning your study within the body of knowledge that has been developed in public relations and marketing communications". Informed by literature on research methodology, a model was constructed that guided the analysis of this thesis. Construction of meaning is built through an iterative cycle: data collection → analysis → interpretation → collection etc. The process was carried out in relation to the research purpose and the formulated research questions. Thus, focus was maintained only on findings, related to the problem field.

2.6. Study Delimitations

For a more comprehensive overview, this section is provisionally divided into two subsections, depending on the source of study limitations: methodology and scope.

2.6.1. Methodological

Each methodological approach, be it the ‘best’ possible for a given research purpose, has its strengths and weaknesses and these need to be explicitly stated. This section will therefore present the main limitations of case study research and how this thesis addresses them. Daymon and Holloway (2011) note that “in some cases, the boundaries are difficult to define, such as who is involved with the phenomenon under investigation and who is not, or when a case study begins and ends”. In order to enhance clarity, this study takes a precise time frame - the period when Carly Fiorina was a CEO of HP, namely 1999-2005. Identifying all actors involved is indeed a challenge for case studies, as identifying all “hidden” and informal forces in an organization is very difficult. This is one of the reasons this thesis focuses mainly on employees. Such a choice grants both clarity of purpose and the possibility to identify good and bad practices as perceived by employees themselves.

2.6.2. Of Scope

The present written work may be seen as running the risk of presenting a long-term change initiative that took years to plan, shape and implement, in an oversimplified and mainly linear way. In reality decisions were made after a continuous debate (Williams & McWilliams, 2001; Lashinsky, 2002a; 2002b), but this thesis will focus on the main events that were shaped by the
change strategy and the impact of internal communication as an integral facilitator of the change process. As this case study refers to already performed actions, it relies on the memories of informants. In order to eliminate any factological inconsistencies, claims made by employees were checked against data from other informants or sources of secondary data.

As one of the biggest computer companies, HP operates globally. Analyzing its internal communication and change strategy on a country-to-country basis would supposedly be the most precise method. However, such an approach would lead to significant challenges in terms of time, access and writing space. Generating such an amount of data would be also irrelevant, as the main focus of this thesis are HP employees at and near the company’s HQ in Palo Alto, CA, USA. The HQ is taken as a critical case, because internal communication there would be the closest to what management would strive to achieve. An important fact to be taken in consideration is the time-frame of the analyzed processes – 1999-2005 or the period when Carly Fiorina was the CEO of the company. These limitations of scope would facilitate the attempt to create a clearer overview of the company’s change strategy and how it got communicated.

2.7. Quality of Research

Daymon and Holloway (2011) outline three main criteria for evaluating quality of research and two additional criteria, relevant for case study quality. This section will offer comments on how this thesis addresses them.

a. Validity

Validity refers to the “appropriateness of the choices you make in terms of your research strategy and data collection/analysis techniques” (Biggam, 2008: 98). Section 2.2 offers argumentation for the chosen research approach. The validity of this thesis is further ensured by the method of triangulation, i.e. analyzing the same topic from different perspectives by corroborating evidence from multiple sources. This was done, because interviews, if used as the sole method for data collection, cannot grant the ability to identify and eliminate inconsistencies when doing case study research (ibid). It can also impede interpreting informants’ responses if interviews have been facilitated by direct managers or other influential figures within the organization (ibid). The fact informants’ responses were not influenced by company’s mediation also enhances validity, as both the current and former employees who agreed to be interviewed, had no hesitation sharing opinions.

12 Informants that worked at HQ or on HP premises in California were preferred for sample selection, as they would have been optimally exposed to internal communication from the top.

13 See section 2.7.
b. **Reliability**

It concerns trustworthiness or to what an extent the reader perceives the given research as reliable. In qualitative research it deals with research transparency (Daymon and Holloway, 2011: 78-79), i.e. being open about what and how was done, with what predispositions in mind. This thesis attempts to give a clear account of the path the research process follows – both in the data collection and analysis sections.

c. **Generizability (or external validity)**

As already stated, generalization is not the main purpose of this thesis. Despite that case studies can possess external validity and their generizability can be increased by strategic selection (Flyvbjerg, 2006). Thus, HP was chosen as a **critical case**, i.e. the case selection (as well as data collection) was **information-oriented** as opposed to **random**. A critical case is defined as “having strategic importance in relation to the problem” (ibid). The choice was made for the following reasons: HP is a paradigmatic high-tech company with a strong culture; a symbol of innovation; the company that created the Silicon Valley; the first major outsourcer in the Silicon Valley (**Financial Times**: various\(^\text{14}\)). Following Flyvbjerg’s notion, it can be argued the link between internal communication and change management in the case of HP would facilitate paradigmatic understanding of strategic change in organizations that share common features. Most important among these are: operating in an industry with high turbulence, having a strong host culture, performing strategic change lead by an externally hired CEO (Burrows, 2001). Nonetheless, case studies do not have generizability as their main goal, because they are more valuable for learning through detailed, context-related description and exploration (Yin, 1994). Flyvbjerg (2006) attacks this criterion (generizability) altogether, stating no proof exists that general (context-independent) knowledge is more valuable than concrete, practical (context-dependent) knowledge.

Daymon and Holloway (2011) add two other criteria for evaluating quality of research, specifically relevant to case studies:

d. **Comprehensive account**

This thesis presents a comprehensive description of the HP case both before and during analyzing communication of strategic objectives during the managed change. Thus, it allows for proper positioning of the thesis’ findings (both theoretical and practical) in the contextual settings.

e. **Explicit philosophical base**

The research paradigm was already discussed in its respective section.

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\(^{14}\) See list of newspaper and magazine articles in Bibliography section.
3. DISCUSSION AND REVIEW OF LITERATURE

It is axiomatic in change that “more and more of the same will only provide more and more of the same.”

Harris & Nelson (2008)

This chapter will present and review critically the main theories that can facilitate answering the research questions. The literature review will commence with the core concept of change, followed by its types and origin, and then will offer an overview of the most relevant change models. The second part will introduce the domain of internal communication and how it can be related to and utilized during a major change process.

3.1. The Concept of Change

The implementation of decisions taken by management is far from being equalized to delivering a plan immune to resistance. Whatever strategic option is chosen after generating a list of possibilities for the organization, this option will involve changes for the people working in it. That conclusion inevitably points at the strategic importance of communicating timely and effectively at all steps of the change process. As change is a constant in organizations (Cornelissen, 2008), it also means communicating at all times to the salient stakeholders. Organizing and communicating themselves involve ongoing changes.

3.1.1. First-Order and Quantum Change

Organizations do not just strive to survive, but to achieve sustainable competitive advantage. Therefore, viable organizations can’t afford to shut themselves to influences, coming from both their external environment and internal subsystems. Openness to changes in both input and output might grant alternative leverage to achieving corporate goals. This in turn gives the organization a possibility to identify opportunities that less viable competitors might ignore.

Not all changes, however, are of the same order. In 1978 Agryris and Schöen (in Petersen, 2000) conveyed the idea of first- and second-order change (or quantum change, as Harris & Nelson (2008) call it). First-order change is described as a simple, procedure-related change that got agreed on after a discussion or a problem-solving procedure. For example, this could relate to a change in working schedule or a new method for recruiting recent graduates. A change of first-order does not alter people themselves, nor does it modify their basic jobs or interactions. The
reason for this is because it is highly procedural in its core. Hernes (2008: 122) refers to changes of similar kind as *micro-level changes*: they feed on the routine and might eventually reshape it, but exist in a “recursive relationship” with it.

Second-order change, on the other hand, is what could bring more benefit (and respectively, more challenges) to organizations. It “involves the organization’s *context, process, or dynamic*” (Harris & Nelson, 2008: 27) and fundamentally impacts on how organizations function. Quantum change defies the notion “if it ain’t broken, don’t fix it” and targets any processes that can be improved. A good illustration of popular quantum changes are the *6-Sigma* and *Total Quality Management*\(^{15}\) programmes. In the case of HP, a major example of quantum change is the belief held by (the newly appointed then) CEO Carly Fiorina that American employees can no longer be privileged to life-long employment at HP; they should compete for their positions on an international level instead (Burrows, 2001; Lynch, 2008; multiple interviews\(^{16}\)).

A distinction between first- and second-order changes is crucial for identifying what changes were fundamental and might grant higher chances for sustainable competitive advantage in the case of HP. It will also facilitate understanding changes of what order were communicated with higher priority.

### 3.1.2. Organizational and Strategic Change

Lynch (2009) distinguishes between organizational and strategic change and goes on to propose a pace level differentiation. Thus, *organizational change* is the change that happens continuously within organizations and it can be manifested in its two extremes – slow organizational change (gradual introduction characterized by a low level of resistance) and fast organizational change (sudden introduction as a part of a major initiative, therefore characterized by a higher level of resistance). *Strategic change* is different in essence due to its being a result of proactive initiatives through various managerial tools. Proactive here means that “the company takes the initiative to manage new strategies and their impact on people in an organization” (Lynch, 2009: 564). It should be taken into account that Lynch does not recognize that identifying a process as falling strictly under one of these categories is not completely realistic in practice, since both types of change might run parallelly in an organization or even shift their characteristics from being simple organizational to aggressively proactive in their strategic approach. Another

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\(^{15}\) These programs apply algorithms for increasing quality/productivity, while simultaneously minimizing defective production.

\(^{16}\) More on this statement of the CEO and employees’ responses can be found in the data analysis (analysis of targeter messages).
observation points to the fact not all authors make such a distinction between organizational and strategic change. Authors like Kanter (1992) and Brooks (2009) refer to strategic (in Lynchean terms) change as organizational change. Others like Miller et al. (1994) distinguish them, but use the term “planned organizational change” when referring to intended, i.e. strategic change. This thesis takes on the definitions, proposed by Lynch, as it researches a change, highly strategic in its nature – managers took concrete, proactive steps to manage the process. It also recognizes that slow organizational change might run parallel to strategic change, i.e. the change process is context-bound and does not exist in a vacuum.

3.1.3. Responding to Change

Theory on responses to change contains a large pool of classifications, related to motivation, resistance and their types and sources. These were used during data analysis, while tagging informants’ responses with multiple topic codes, based on theory (e.g. getting ready for change, subtle resistance, strong resistance, capitalizing on change, loss of morale, blaming and accusing, aggression, acceptance, enthusiasm, collaboration, disappointment, letting change fail, withholding support, help and information). Afterwards, these qualitative descriptors were regrouped and placed in two large areas, according to their relation to the planned change process:

a. **Enablers** – factors facilitating strategic change;

b. **Barriers** – factors hindering strategic change.

In order to enhance clarity as to where some of these topic codes originated, this section will offer a short overview of relevant to the research purpose theories on responses to change.

Piderit (2000) sees resistance as stemming from three different sources:

*Behaviour* – actions based on strongly established habits;

*Emotions* – emotional responses (despite rational reasons for change may exist);

*Cognition* – already formed norms and beliefs.

Petrini & Hultman (1995) identify two types of resistance: *active resistance* (being critical, finding fault, blaming or accusing, distorting facts, blocking, and starting rumors) and *passive resistance* (agreeing verbally but not following through, failing to implement change, standing by and allowing change to fail, and withholding information, suggestions, help or support).

De Jager (2001) distinguishes between rational and irrational resistance and states leadership should know which kind would prevail during strategic change management. A way to predict reactions to change is a thorough understanding of the dominant organizational culture and, if available, a track record of previous change initiatives. To the contrary, Green & Knippen (1999)
argue that despite past experiences, employees often prefer to stay with something that is not that good, instead of venture into the unknown; even when it promises improvements. To address this, the authors proffer the following approach:

1. **Prepare mentally for the change.** Employees face a personal choice to either respond positively to change or fight it (subtle or strong resistance). Green & Knippen (1999) warn employees that *causing trouble is asking for trouble*, while being positive helps in getting a better deal out of the situation.

2. **Gather accurate information.** Employees who handle change are described as seeking informed people and carefully listening and evaluating their statements. For accurate information, official statements should be patiently waited for.

3. **Interpret the change objectively.** That involves stating clearly what the change means and what it does not mean.

4. **Get ready to change.**

5. **Participate.** Participation here might be seen as a consequence of realizing potential benefit. Authors do not take into account there might be no possibilities for taking advantage of change.

6. **Give positive reinforcement to the manager.**

The major weakness of the above advice is the complete exclusion of informal political influence within the organization. While authors claim “it is better to join them than to fight them” (ibid: 296), they largely ignore employees can also exert pressure back onto management. However, this view makes a valuable contribution to literature due to its proactive position. Organizational members should not wait for change to happen; they should actively search for information, anticipate, participate and search for emerging opportunities for eventual benefit. In this way both change management (*change strategists*) and employees (*change implementers and recipients*) can benefit from assuming a proactive stance to the process.

Coombs (2006) argues resistance is natural and its role in the failure of change strategies is exaggerated. The author adds two more significant reasons why changes fail: “poor design and poor communication” (ibid: 93). Employees are naturally more prone to participate actively in the change process and have a positive reaction to it, if they receive quality information. Reactions to change need to be well examined and this is usually done with the help of attitude surveys (Klikauer, 2008). Coombs (2006) places a focus on communication as one of the most frequent reasons for failure and states possible reactions and their antidote need to be imbedded in the protection mechanism of the change strategy. Poor communication is then a failure to fully explain change.
3.1.4. Political Actors in the Strategic Change Process

Kanter identifies three distinct roles in an organization undergoing change. These are divided according to the political role of actors in making the change happen: change strategists, change implementers and change recipients. Such a distinction is important, because this thesis sets to analyze the change process and its adjacent communication from the point of view of employees.

After reviewing the main stances on change, its classifications and the major reactions it can provoke; the next section will attempt to shed light upon the origins of change. Before examining this causality and offering the relevant change models, it is worth mentioning prescriptive\textsuperscript{17} strategy models refer to change as the one-off specific implementation actions taken to reach a goal, while emergent strategy models refer to change as an ongoing process that might get influenced and subsequently reshaped by external factors.

3.2. Origins of Change

Causality of change or the reasons that evoke change are important due to their relevance to achieving a better grip of control over the change process. Identifying change origins will be an integral part of analysis, as it will grant understanding to how change origins got communicated. Lynch (2008: 758) argues that in order “to manage strategic change, it is important to understand what is driving the process”. This section will present and review the two most prominent views on causes of change: the ones of Tichy (1983) and Kanter, Stein & Jick (1992).

3.2.1. Tichy: Four Main Causes of Change

Tichy (1983) suggested four main causes of change:

1. Environment. It comprises of external forces like general changes in the economy or increased competition.
2. Business relationships. Any changes in ownership, mergers and acquisitions; any changes that demand a revised organizational structure.
3. Technology. It might influence channels of communication as well as its content. Hence, significant developments in technology have the potential to shift and shape the face of a whole industry.

\textsuperscript{17} Some texts use intended as an interchangeable term.
4. People. Lynch (2008; 2009) underlines this cause of change is particularly relevant when leadership of the organization changes. Any other new entrants might also affect an organization, especially if they come from differing educational and cultural backgrounds.

The implications of these four origins of change should be analysed in the specific context of organizations. The factors above need to be considered in the context of the organization’s dynamic and complex structure. Tichy suggests that change is not only inevitable in such circumstances but can be managed to produce effective strategic results.

3.2.2. Kanter, Stein and Jick: The Big Three Model

Kanter (1992) and collaborators offered an alternative – The Big Three model, combining macro- and micro evolutionary forces with political forces for change. It identifies three forms taken by the change process and three categories of people involved in the change process. The three forms that change might take in the organization are:

1. The changing identity of the organization (reflects new organization-environment relationships).
2. Co-ordination and transition issues as an organization moves through its life-cycle (it relates to the co-ordination of activities).
3. Controlling the political aspects of organizations (changes of power and control among the various political actors and coalitions within the organization and its subsystems).

This classification is useful only on a basic level and does not constitute a guiding model for leading a change in organizations. Hatch (1997), for example, criticizes this theory for being a mere framework for combining other theories.

3.2.3. Rodgers: The Hidden Dynamics of Change

A more recent alternative is proposed by Rodgers (2007) who focuses on informal coalitions and organizational forces that can't be easily kept under control. He puts an emphasis on organizational members who have no formal responsibility in leading, managing or implementing change but who actually affect the process. The author underlines that in some cases considerable alterations occur due to managers not taking informal influence into account. Rodgers’ model of the origins of change makes a valuable contribution as it clearly shows how employees, receiving lists of tasks, perceive the ones in control. It suggests that change in organizations does not happen as it is widely believed. We can then separate the standard view from Rodgers’ view which stands in strong support of informal coalitions:
**Standard perception**: Decisions flow in a top-down direction and this is the case with all tools of deliberate (prescriptive) change strategies. Most change programmes include management edict view of change, education and training initiatives and joint problem solving - all coming from the top down to the receiving end. These could be translated into “publication of statements of desired organizational values; an emphasis on formal communication programs; the introduction of new leadership competency frameworks; and the training of staff in a range of new skills and behaviors” as well as “implementation groups, team development workshops” (Rodgers, 2007: 56).

**Rodgers’ view**: This is not how change originates – instead, the informal coalitions are said to bring forward “shadow” issues to the table and they are the ones initiating the primary steps leading to change. The author endorses the idea change is sparkled by powerful informal structures within the organization and only then translated into formal and legitimate change strategy. Rodgers is one of the few authors who both acknowledge and approve the existence of organizational politics. Mintzberg (in Rodgers, 2007) and Hatch (1997) are two examples of prominent scholars, who discuss it within a visibly negative connotation. Political activity is seen as dividing employees into conflicting groups, creating informal structures that undermine legitimate internal processes. While such groups cannot and should not be ignored, they are usually difficult to identify and analyze due to their informal and subjective nature.

To sum up, Tichy’s view brings forward four main causes: environment; business relationships; technology and people; and emphasizes the fourth factor when it comes to change in leadership which is highly relevant in HP’s case. It is important to point out the author uses the term leadership and not management which supports the view that “management deals mostly with the status quo and leadership deals mostly with change” (Kotter, 1996: 165). Kanter, Stein and Jick (1992) identify three factors that constitute dynamics for change and these are: environment; life cycle differences and political power changes inside the organization. Both attempts at mapping causality factors are similar and point at reasons both external and internal to the organization. In practice, reasons for a significant change within the organization could cover two or more of the aforementioned reasons. This makes these views on causality suitable for comprehensive causality check-list. Such a check-list is the necessary starting point for a thorough causality analysis.

**3.3. Change Management**

Change management is not a distinct discipline in its own right. It grounds its basic approaches in theories from other social sciences and extensively draws from experience and real-life examples. The idea of managing, directing and leading change is a relatively new one. Early
philosophical works deal mostly with acceptance of change, where change is seen as an unavoidable, mostly negative element of life (Vercellese, 2004). Taking control over and participating in the change process for one’s own benefit is rarely seen as a possibility. This predominantly fatalistic view gets also exhibited in the earliest change models like that of Lewin (1952). Hatch (1997: 353) labels his model “more a theory of stability than of change... because he defined change as transient instability interrupting an otherwise stable equilibrium”. Thus, change is depicted as a disruptor of stability that needs to be cured. However, stability is no longer the predominant status quo of organizations and their environment. To the contrary, they have become less predictable and dealing with more frequent unknowns (Clarke and Clegg, 1998). Modern organizations recognize change is a constant. Change management acknowledges these transformations and seeks their understanding for the sake of strategic survival and benefit.

Despite the increased need for adequate change models over the past half-century, Clutterbuck and Hirst (2002) define most of them as restricted. The reason is they treat change like a form of bereavement: a linear process of denial, mourning, acceptance and moving on. Instead, most changes are not that traumatic, as employees might see a change in neutral or positive light, even as a great opportunity to be exploited (ibid). Senge (1990) expresses a similar position, stating people “both fear and seek change”. The paradoxical approach—avoidance conflict might be another reason change management has received its recent attention. This conflict shows change can’t only be viewed through negative lens.

Recent views on change management treat it as an ongoing effort to understand both industry and internal dynamics and where possible – to capitalize on it (Kitchen and Daly, 2002). Moreover, it is not seen only as a one-off initiative, but as a process of organizational learning (Clutterbuck and Hirst, 2002; John, 2009). This point is well illustrated by the following model of organizational change:

![A model of organizational change (Clutterbuck and Hirst, 2002)](image-url)
Throughout all stages “communication is at the heart of the process” (ibid). Nonetheless, authors note that it is rare for organizations to have a “comprehensive change communication process, which links each phase of change and helps progress one to the next” (ibid). While many models finish at the activity stage, this one attempts to go further by including observation/feedback and reflection. The last step can be seen as especially important, as it points at the learning outcome of the performed action. It has to be noted the model is linear and in reality neither reflection, nor feedback loops happen in the exact proposed sequence.

### 3.3.1. Lewin’s Force-Field Model

One of the most widely known models for change belongs to Lewin, who proposed his three-step model as early as 1951. His theory encompasses three conditions of the organization that take into account pre- and post-change stages plus the stage of actual translation into specific goals. The steps suggested are:

1. **Unfreezing current attitudes** - in order to move on to the next step that constitutes of change taking place in the organization, the old status quo should be viewed through negative lens. A need should be created within the organization that prepares for the upcoming change. This step might be seen as an early equivalent of Kotter’s *creating a sense of urgency* (Kotter, 1996) or what is widely known as the *the burning platform*[^18].

2. **Moving to a new level** – during the second step the organization experiences a period of options seeking or alternatives generating.

3. **Refreezing attitudes at the new level** – it indicates that an alternative is already agreed upon but the model does not clarify how exactly such an agreement or reassessment is made.

This model influenced various other studies and research in the field of change management. Klikauer (2008) uses a similar backbone for his model of persuasion:

1. **Challenge existing attitudes.**
2. **Change these attitudes.**
3. **Commit workers to attitudes a persuader seeks to establish.**  

_The Three Cs of Persuasion, Klikauer (2008)_

[^18]: Rodgers (2007: 266) gives a possible reference as to where this phrase originates from: “The “burning platform” metaphor is said to have arisen from a comment made by a survivor of the *Piper Alpha* oil platform disaster in the North Sea. He was asked why he had jumped from the platform into a sea of burning oil, when to do so meant probable death. He replied that to stay on the burning platform would have meant certain death. Jumping was the lesser of two evils.”
Lewin also suggested different communication (or persuasion in the case of Klikauer) strategies need to be used during the three stages. Lewin openly stressed on the important role of communication during all three steps of the change process. At each step information needs to be disseminated in order to support the chosen direction. However, this early model does not make clear how exactly this is achieved, through what tools and in what time frame. It offers a simplified model of the process and it excludes any sudden changes that might occur in the middle of the implementation stage. Kanter, Stein and Jick (1992) criticized Lewin’s model on different grounds, claiming it describes change as occurring “only with applications of concentrated effort and only in one direction at a time” (Hatch, 1997: 356).

3.3.2. Pettigrew and Whipp: Five Factors in the Successful Management of Strategic Change

Pettigrew’s work (1991) attempts to give a more dynamic model on how change should be viewed and offers a much closer to reality theoretical construct. From the five factors visualized as five spheres of a pentagon, the most useful for our purpose would be leading change and human resources as assets and liabilities.

![Diagram](image)

*Five factors in the successful management of strategic change, Pettigrew & Whipp (1991)*

Still this model, while realistically dynamic and accommodating informational flow through multiple channels during the change process, it lacks focus and concreteness. The five factors utilized in Pettigrew’s model are interrelated to such an extent and the factors themselves so general in
their aim to cover the content, context and process in their wholeness, that they lack specificity. However, this does not influence negatively its application to the case of HP, because the change has already been performed and managed (i.e. actions refer to the past), data is available and certain time has passed so the change process in consideration is not directly involved in current ongoing events. Therefore, Pettigrew’s comprehensive model looks like a suitable for our purpose practical managerial tool, especially taking into account the additional characteristics and components that accompany the basic representation. It also proves to be much more suitable than static models due to its inclusion of dynamics.

3.3.3. The Accounting Change Model

The accounting change model offers a static, but comprehensive picture of the change process. It was originally proposed by Innes and Mitchel (1990), and then further revised by Cobb, Helliar & Innes (1995) and Kasurinen (2002). It identifies two major parts of the change process: the origins of change and the barriers to it. Thus, it divides causes for change into three categories: catalysts, motivators and facilitators. This contrasts with Carnall’s view (1995) of change stimuli as “pressures” and recognizes there are motivating forces behind the will for change. Motivators here are of general nature and they might equally affect competitors.

Catalysts have a more direct connection with change, they aren’t of general character like motivators, but have higher visibility and clearer articulation within the organization (i.e. problematic production facilities or the need for a specialized innovation software). Facilitators, on the other hand, are the necessary instrumentalities for change to happen (i.e. the financial power...
to fix/purchase better production facilities or qualified IT staff for the software implementation). While change can’t take place without facilitators, they alone are not enough. A combination of factors is needed, although the initial trigger might have originated from only one of the three (Innes and Mitchel, 1990).

Barriers to accounting change are also divided into three distinct categories: confusers, frustrators and delayers. Kasurinen (2002) adds this part to the model later on in order to facilitate barrier identification and thus help managers address them accordingly. After a few revisions this model still exhibits an obvious backdraw: the lack of stages between seizing the potential for change and accounting it. How barriers get overcome is completely left to individual consideration.

3.3.4. Colin Carnall’s Change Management Model

Carnall (1995) developed an alternative view on change and proposed a model that focuses on the managers’ ability to respond to change. Both the essence of the model and Carnall’s rhetoric suggest managers are able to plan and control the process in the same way they manage other forms of “necessary evil” in the organization. The stimuli for change are referred to as pressures, which is a definite tilt to a negative connotation.

![Carnall's change management model (1995)](image)

There are neither feedback loops, nor a stage suggesting dialogue between change strategists (decision-makers), change implementers and change recipients, as defined by Tichy (1983). Carnall ascribes to managers a complete power over the change process by ignoring any emergent issues in the middle of implementation. This turns the model into prescriptive in its essence. It also assumes the period of undergoing change would affect self-esteem and performance in a negative way. There is yet a lack of evidence this would be necessarily the case. To the contrary - where some members of the organization see negatives, others seize opportunities. Most of all, this model underrepresents employee feedback and critical reflection as
beneficial to the process. The given approach might be favoured by more authoritarian managerial styles, where decisions are taken within a small group and line of command cascades top-down.

While successfully identifying many core issues, this model is not that useful in tapping a link between change management and internal communication. However, it puts a needed stress on the importance of managerial skills and competence during the change process (Carnall, 1995). Carnall views organizational change and learning as a desired outcome, thus being in accord with more recent developments in the field.

3.3.5. John Kotter and the Eight Step Model

A year later Kotter (1996) proposed a fundamentally different view and changed the predominant rhetoric from managing to leading change. His view is relevant to the research purpose due to its main focus being communication. Kotter advocates strong communication as one of the most important assets a leader can have and identifies eight steps in the change process:

1. *Create a sense of urgency* – this stage constitutes of shaking the status quo and pointing at potential threats before they have emerged. This first step is important; otherwise these threats might place the organization in a state of crisis.
2. *Form a powerful coalition* – establishing an inspiring team that would serve as an example in the early stages of the change process.
3. *Create a vision for change*;
4. *Communicate the vision* – communication is crucial for sharing the vision;
5. *Getting rid of obstacles* – addresses eventual barriers to implementing the vision through delegating more power to employees.
6. *Create short-terms wins* – plan short-term successes and reward employees to increase motivation;
7. *Build on change* – consolidate the change for promoting new products and changes;
8. *Institutionalize new approaches* – exteriorization of the changes.

This model might be seen as advocating an ideal change process. On one hand, Kotter maintains a consistent stress on people, effective internal communication and leading by example. On the other hand, dynamics is not well-represented here. The author himself highlights the dangers of executing more than one stage at a time, while an initial stage is left in hiatus. But the model addresses important points largely ignored by its predecessors – communication and clarity of
vision; organizational politics; and short-term successes for upholding motivation. This and the people focus at large make it a very relevant framework for the current research purpose.

### 3.3.6. The Congruence Model

Nadler and Tushman (1997) place an emphasis on people as well. Their congruence model lies on the concept of organizations as systems of subsystems. As opposed to the other reviewed models, it distinguishes between individual, team and organizational level. The system (organizational level) sorts out external stimuli and translates them into a transformational process. There is an obvious interdependence among all four subsystems and no linear step-by-step plan. Therefore, this can be seen as a highly dynamic model that takes into account both formal and informal structures in the organization. Unlike Carnall (1995), Nadler and Tushman (1997) recognize the existence of forces (not only external, but internal) that are beyond managers’ immediate control and suggest a way to address them.

The model identifies four distinct subsystems that need to be managed simultaneously for strategic success:

- **Work** – daily activities of employees in the organization;
- **People** – personality, capabilities and expectations of the employees;
- **Formal organization** – organizational structure, policies, and systems, formally organized; written rules;
- **Informal organization** – emerging structures, systems, and norms among employees throughout time; unwritten rules.

![Own figure, based on the congruence model by Nadler and Tushman (1997)](image)
Failure to address all four components would lead to an incomplete transformation process (ibid). Ironically, some of the other models reviewed above, would actually fail if put to this test. This model can be seen as a useful checklist for identifying the main themes and audiences when devising a strategy for internal communication in change. It also recognizes employees as the main internal force driving change.

3A. Section Discussion (Change Management)

Identifying employees as crucial to the success of a change program leads to the question of employee engagement. As change is primarily delivered and received (often simultaneously) by people, it is essential to reach and guide them in an effective manner. The reviewed models offered alternative approaches to change in organizations and involved the role of communication to various degrees. As a surprise comes the fact that theorists from different backgrounds do not articulate directly the role of communicating the new vision (a significant quantum change) to employees, while at the same time imply communication in most stages of their models (Innes and Mitchel, 1990; Cobb, Helliar & Innes, 1995; Kasurinen 2002; Carnall, 1995). This inconsistency might be related to some persistent myths about communication:

- Communication is something you do to people;
- Most managers are reasonably good communicators, otherwise they would not be in the role;
- Communication is the job of the communication function;
- Communication can (or should) be controlled.

Clutterbuck and Hirst (2002: xvi-xix)

These preconceptions, while faulty, might be a possible division line between the above authors and the the ones who explicitly include communication in the change process, giving it one of the central roles in the process (Kanter, 1983; Porter, 1985; Kotter, 1995; Quirk, 1995; Clarke and Clegg, 1998). Another reason might be the view communication is something that “goes without saying” during organizational change, often with no clear tactical, step-by-step plan. As a result, there is a surprising deficit of research, showing an unambiguous link between effective communication and business excellence. At the same time, both spending on the internal communication function and the number of recruits within it have been on a steady rise in the recent years (Clutterbuck and Hirst, 2002).

To sum up, the inclusion of communication during strategic change is undisputed, but both researchers and practitioners divide their opinions on its degree of importance and how it should be utilized. In order to answer this question, the next section will concentrate on the domain of internal communication.
3.4. Internal Communication

*Internal communication does not just have the role in the management of change, it has the role.*

*(Quirke, 1995)*

This section will address the following core themes: the essence of internal communication, what potential it holds to influence change management and how it could be utilized during major change in organizations.

In literature the term internal communication is widely used interchangeably with employee communication (Argenti, 1998; Barrett, 2004) and organizational communication (Grunig, 1992), and often discussed as part of corporate and business communication (Kitchen and Daly, 2002). Regardless of the terminological choice of authors, main domain of internal communication remains the communication between various members of the organization for the goal of organizational success and mutual benefit.

One of the core definitions of this function reads “communication with employees internally within the organization” (Cornelissen, 2008). It has to be noted, however, that ‘internal’ has no physical bounding or limitation in terms of space. That is, nowadays’ communication with and among employees goes outside the physical premises of the organization. Modern technology allows for the use of e-mail interaction, forums, webinars, corporate TV, regardless of space. This carries serious implications for corporate reputation, as employees often communicate through their chosen channels and not through the intended hierarchical silos.

Argenti (1998) underlines that “[organizations] have necessarily had to think more now than in the past about how they communicate with employees through what is also often called internal communication”. Ironically, this definition, coined more than ten years ago, implicitly suggests employees are a passive recipient of communication strategies (another example of the myth “communication is what you do to people”). While such a portrayal still pervades many written works on the topic, subsequent research suggests a simultaneous focus on both top-down and bottom-up communication (Clutterbuck and Hirst, 2002; Lee and Krayer, 2003; Harris and Nelson, 2008).

The main purpose of the internal communication function is to “assist people in an organization to work together and learn together in pursuit of shared goals and/or the mutual creation of value” (Clutterbuck and Hirst, 2002). The internal communication process is then seen as an activity, encompassing all employees, gathering adequate information about their organization and the
changes occurring within it (Kreps, 1990). Apart from merely collecting information, this process allows members to articulate and share their opinions on it, thus making it crucial to achieving organizational goals.

As seen from the previous section, effective communication (implicitly or explicitly) needs to be stably present in a healthy organization. However, communication is used as an umbrella term, carrying an extensive list of meanings and tools, depending on the authors’ standpoint to what “ideal” organizational communication constitutes: from disseminating information in a top-down manner to elaborate interactive and feedback systems. In search for a classification, Clutterbuck and Hirst’s (2002) *cascade of communication* was found to offer the most comprehensive organization of the available communicative levels:

```
Data
Information
Knowledge
Skills
Wisdom
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Informing
Discussion
Dialogue
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Data occurs at an unconscious level, becoming information only after it gets structured to reflect meaning. When information gets structured, it can be utilized for decision-making (knowledge) and then applied in the form of skills (knowledge and information applied to real life situations). The authors place wisdom at the deepest level of the communication cascade, defining it as “the ability to extrapolate from data, information, knowledge and skills to tackle new situations” (ibid). This distinction is especially relevant to innovative and knowledge businesses. It illustrates how management can make information available, but with no discussion and dialogue it will lack the skills and wisdom to be competitive.

While this process is important for regular daily activities, it acquires paramount significance during major change initiatives. Both the reviewed change models and further research on the topic clearly illustrate this notion (Kanter, 1983; Porter, 1985, Kotter, 1995; Clutterbuck and Hirst, 2002; Vuuren, 2008). Employees and their role in the change process are often perceived as crucial for successful change management. Effective communication enhances employee engagement and facilitates coordination. If employees assume a negative stance to the change process, they will voice opinions and concern further onto other important stakeholders, both
internal and external. Grunig (1992) summarizes the issue, claiming “internal communication... is the catalyst if not the key to organizational excellence and effectiveness”.

3.4.1. Importance and Use of Internal Communication during Strategic Change

In order to answer the third research question - how effective internal communication can be used in organizations undergoing change, - it is first necessary to understand the importance of this function in general. Then this general understanding would be related to the benefits the function can grant during strategic change. This is achieved through pattern-search within the relevant literature, attempting to identify the main areas, where internal communication is shown to bring highest benefit.

As strategic change is a deliberate strategy for improving one or more aspects of an organization, then these general areas of benefit would be even more relevant during proactive change. As a result of the pattern-search, three distinct areas emerged where internal communication was shown to bring highest benefit – all noted as strategically important for organizational success and bearing an interconnection with each other.

3.4.1.1. Competitive Advantage

Researching the main drives behind sustainable competitive advantage, Porter (1985) concludes they are not only limited to the primary activities in the value chain. Instead, such drives can reside in the support activities as well. Both this shift of attention and the increased turbulence in the high-tech markets have prompted various studies, attempting to find and understand any underexploited sources of competitive advantage for organizations. As a result, communication has been receiving its due attention, especially with the increasing need for organizational transparency and good corporate reputation.

Erikson (1992) proposes communication as a competitive tool and defines the characteristics of effective communication. Tucker et al. (1996) conduct extensive research on organizational communication as a carrier of competitive advantage and find a positive causality link. Porter and Tucker’s early observations are supported by McRory (in Kitchen and Daly, 2002), who claims “competitive advantage which resided in capital in the 1980s, in technology in the 1990s, will reside in people in the new millennium”. Reaching these same people in an effective manner is essential, especially if organizations undergo quantum change. Moreover, if they are to be fostered to their full potential for bringing competitive advantage, increased independence and training should be present. Hyo-Sook (2003) describes organizations who excel in their industry as having systems of delegating power to employees through internal communication and
decision-making. Delegating responsibility in its turn increases employee engagement and commitment to the organization.

Competitive advantage is a comparative factor, i.e. it exists within a system and not as an isolated phenomenon. While such an advantage could be present without excellent internal processes, without them it will not be sustainable over time. That leads to the need of supporting competitiveness by an ongoing optimization of internal business processes.

3.4.1.2. Business Excellence

A team of Harvard business scholars design one of the first models that includes effective communication as a prerequisite for corporate profit. Their original purpose was manifesting a causality link between employee satisfaction, customer satisfaction, customer loyalty and business profitability (Loveman et al., 1994 in Clutterbuck & Hirst, 2002). In what they call the service-profit chain, communication is shown to play an important, but not central role.

Clutterbuck and Hirst (2002) proffer a clear link between internal communication and business excellence through analysis of both quantitative and qualitative indicators in various large organizations. They first created a model, based on Loveman’s service-profit chain - the communication profit-chain. Next, they went on to test it in reality. They found the internal communication function contributes the best when it supports four organizational competencies:

1. **Clarity of purpose** proves crucial, as employees need to relate their individual activities to the achievement of the main organizational goal. This goal in its turn has to be clear to every participant in the overall project.

2. **Trusting interfaces between people.** The authors chose such a general formulation, because of the all-encompassing scope of this area – it refers to all levels of the organization and all members in it.

3. **Effective sharing of information** concerns the systems and networks that allow people to communicate, exchange ideas and circulate best practice.

4. **Top management communication** is stressed as one of the most important competencies as it conveys a clear message to the whole organization. Consistency in leadership communication, both formal and informal, is seen as key to employee engagement. Moreover, it represents a major part of positive role-modelling.

It has to be noted that the third area of competency, identified by the authors, is instrumental at large. It refers mostly to availability and quality of forum and medium. While seemingly the easiest
to change, it is most strongly dependent upon availability of finance and maintenance. However, organizations that are unwilling to invest in effective systems for feedback, discussion and exchange of innovative ideas, might be seen as running the risk of falling behind competition. If applied to McLuhan’s view of “the medium is the message”\(^{19}\), an organization with outdated technology for information and knowledge sharing is sending a clear message to all participants: ‘we lag behind, but we care little about it’.

Enhancing *clarity of purpose* and *top management* legitimacy through communication is stressed by other researchers as well. Senior management needs to offer “a clear vision of the organization and this being expressed to staff, enabling them to understand how their role fitted into the bigger picture” (MacLeod and Clarke, 2008).

Although all four areas of competence are important and suffer a strong influence by the quality of internal communication, “it is the combination of these activities that counts... being good at just one or two of them is simply not enough” (ibid). The case of HP confirmed this claim, as trusting interfaces and high-tech platforms for communication were largely available, but clarity of purpose and communication by management proved to be inconsistent and poorly aligned.

This finding brought forward leadership communication as one of the most important of the above four competencies. Therefore, it will be explored in its own right.

### 3.4.1.3. Leadership Excellence

The Wyatt Company conducted one of the first studies that found a correlation between business excellence and communication in change. In the beginning of the 1990s 531 CEOs of US organizations got surveyed in order to identify one major thing that needed improvement in their change programmes. That thing turned out to be “how they communicated with their employees about the change effort” (Larkin & Larkin in Harris & Nelson, 2008: 95). Thus, the study found not just a general causality link, but highlighted the role of a specific communication domain – the communication abilities, exhibited by leadership.

The role of communication for consolidating top management legitimacy and increasing employee engagement is seen as a key to change management success (Coetsee, 1999; Schweiger & De Nisi in Daly et al., 2003). Leadership communication then is a key variable in change efforts and initiatives, as it promotes and sets a positive image, i.e. it illustrates desired

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interorganizational patterns and sets a clear vision for the future. Stewar (in Harris & Nelson, 2008: 95) notes that “ever since (Caesar), the greatness of leaders has been measured partly by their ability to communicate”.

Hatch et al. (2005) also explore the importance of leadership for effective internal communication and report on its potential for enhancing organizational innovation and performance. The authors define some visionary leaders as carriers of the main virtues of the Greek god Hermes: constant passion for innovation and good ability for “communicating between heaven and earth” (ibid, 83-85). This metaphor can be seen as an illustration of two-way communication for the sake of mutual benefit. Analyzing the personal characteristics and leadership style of various CEOs of Fortune 500 companies, the authors conclude that such a “modern-day Hermes believes in the creative powers of communication” (ibid).

Numerous authors observe that the leaders of today need to realize and fully grasp the potential of informal talk and face-to-face communication. Rodgers (2007: 61-62) urges leaders to “reframe communication: valuing everyday talk and interaction as their primary action tool and seeing its main purpose as sense making and relationship building rather than message passing”. Communication is also seen as an important means for creating and sustaining a positive collective identity. This in turn is a prerequisite for a good corporate image and over time, a positive reputation (Brønn et al, 2007). Shared collective identity is also described as a strong mark of unification that can be manifested at an extra-organizational level (Klandermans in McHale, 2004: 13).

Klikauer (2008) researches how leadership utilizes internal communication as an instrument for changing employee attitudes. He describes four kinds of attitude-changing processes:

1. **Attitude-creating processes**: to establish a completely new attitude about an existing work process;
2. **Attitude-shaping processes**: to shape an anti-management into a management affirmative attitude;
3. **Attitude-reinforcing processes**: to support system stabilizing attitudes among workers;
4. **Attitude-extinguishing processes**: to delete managerially unwanted attitudes.

While he takes a highly critical view on changing employee behaviour, it has to be recognized its outcomes could be as much positive as negative, depending on leaders and their rationale.
Applied to the management of strategic change, leadership excellence is central to success. Communicating at time of planned change includes sincere action as much as words, because “remedies won’t work, unless re-engineers [change program managers] can re-engineer the most crucial element of all: themselves” (Heller in Kitchen and Daly, 2002). Pickel (2008) argues that this is where the expertise of the internal communication specialists is much needed: they have to take the CEO or board team to the divisions/groups/locations in the company where they are most needed.

As already underlined, excellent leadership communication can not achieve organizational goals by itself, but without its presence other successful initiatives will suffer. This point calls for further elaboration as the data analysis identified it as a significant hindrance to employee commitment. It is a common notion that today’s leaders need to be more transparent than in the past. The increasing penetration of communication technology makes it easy for inconsistencies to be openly discussed and spread throughout and outside the organization. This does not refer only to the right choice of style, content and channels of communication. It is equally true for the ability, as two popular clichés put it, to “walk the talk” and “practice what you preach”.

3.4.2. Effective Internal Communication and Change Management

If communicating to employees is crucial for organizational performance, then it is not surpassing that “high on the diagnostic checklist of corporate health is communication” (Hall in Daly et al., 2003). But not all communication is beneficial for organizational health. The process needs to meet certain requirements in order to be classified as truly effective. Erikson (1992) offers a relevant list of criteria and suggests effective communication needs to be:

1. **Concrete**: What is being said should be understandable to all employees. This criterion includes selecting of the right language to express the desired message.
2. **Concentrated**: It concerns proper prioritization and a consistent focus on the important issues. Bombarding employees in a lot of irrelevant information would result in an overload.
3. **Coordinated**: The different target receivers of the message should not be reached at different times or ways. A failure to do so might undermine trust.
4. **Consequent**: If uncertainty exists, it is better to admit it instead of transmitting a wrong message and then correct it afterward.
5. **Contrast creating**: Communication should create contrasts to the condition before its happening. Receiving and transmitting new information affects both knowledge and emotions. If it does not, then it was not effective.
6. **Contact creating:** Communication should be two-way - encouraging dialogue and idea-sharing.

7. **Continuous:** This criterion refers to the availability and credibility of communication, as sustained over time. Erikson (1992) proffers the idea that planning a meeting or a dialogue can improve their effectiveness.

Now, as effective communication got defined, it can be summarized what areas it is important for. The relationship between effective internal communication and change management does not only lie in the commonality of factors, impacting on both. The correlation is found as residing in potential for achieving business excellence, sustainable competitive advantage and building strong leadership positions. Succeeding in these three areas is crucial during change, as it can reduce organizational uncertainty, while increasing profit and employee engagement.

### 3.5. Communication in Change

Most leaders are familiar with communication as a tool for reaching these strategic goals, but do not know what and how to communicate to employees (Petersen, 2000: 36-38). Thus, they miss the opportunity to score high on these three criteria; and fail to sustain commitment. Applied to the *cascade of communication*, they get stuck on the knowledge level: knowing communication is important, but failing to turn it into a powerful skill and a part of leadership wisdom. Therefore, this section will address the core of this issue, i.e. the what and how of the process. It will cover communication in change on two levels: strategic and tactical. It will first offer a best-practice strategic model for internal communication with a focus on employees. Then it will present the instruments for strategy implementation, ordered by type and scale of impact.

### 3.5.1. The Strategic Employee Communication Model (Barrett)

A recent model for communicating in change with employees is Barrett’s Strategic Employee Communication Model (Barrett, 2004) which presents the communication process as an integration of processes that are correlated and intermingled in a common space and time. The communicative approach is encompassed by the strategic objectives that work as the cohesive material that keeps the system together. However, this system is not closed but open to feedback both on internal and external communication level. These features make Barrett’s model dynamic due to the flow created by the integrated process that embraces the elements within.

**Strategic objectives:** Barrett defines as high-performing companies that reinforce their strategic objectives into their internal communication. That means the objectives set out for strategic
change management should be the same for the communication function. A failure in such alignment might be seen as a message dissonance. Another important point, falling under *strategic objectives* is the structure, chosen to translate the central strategic messages to all employees. Such central messages are the ones of utmost importance for the success of the change program, like new vision and future financial goals.

![Diagram of the Strategic Employee Communication Model](image)

*The Strategic Employee Communication Model, Barrett (2004)*

**Supportive Management:** “Top-level and mid-level management must be directly involved in and assume responsibility for communication up, down and across the organization” (ibid). Therefore, communication is seen as consistent and ever-penetrating. Leadership, as seen previously from the main benefit areas of internal communication, carries highest responsibility. Communicating is not just information dissemination and knowledge creation, but also a skill-enhancing ingredient for the organization if leaders set the example. Barrett underlines that communication is not a mere one-off action, performed by the communication function only. Leaders are seen as role models and their behaviour during major change would be put under increased scrutiny. They are the ones who “set the tone for an open or closed flow of information” (ibid). The author also states that without management, communication channels would not flow freely.

**Targeted Messages:** Barrett advocates a different communicative approach for different audiences. This comes in strong conflict with Erikson’s (1992) criterion for *coordination*. While the essence of the message might be the same, Barrett suggests information should be tailored to the respective audience and words should be chosen differently, depending on the people. She chooses this approach for the sake of meaningfulness, but points out it needs to be consistent.
This advice leaves a wide space for interpretation to leadership and might be seen as partly controversial. It can be assumed that wording should be different for production line and corporate headquarters employees. Hence, Barrett’s call for communication tailoring and easily digestible messages might be seen as pragmatic and realistic, compared to the idealistic way Erikson (ibid) describes coordination.

Consistency could be seen as a key element when choosing the right approach. If an important message is phrased in two different ways for two different target audiences and then worded in a third way in the corporate magazine (meant as an all-addressing internal communication form), inconsistencies would be highly visible. Therefore, we might assume targeted messages are relevant and helpful for strategic change as long as unethical behaviour is locked out.

**Effective media/forums:** Barrett argues effective internal communication utilizes all means to reach its audience, but above all, “relies on direct, face-to-face communication over indirect, print or electronic media”. This view is widely accepted and supported by other authors (Clutterbuck & Hirst, 2002; Rodgers, 2007). Free two-way communication during direct contact is seen as having the highest potential to invoke and sustain desired change. This area demands adequate interpersonal skills, communication and facilitation training.

**Well-positioned staff:** This aspect concerns the very core of the internal communication function. It deals with the position of communication employees in relation to the rest of the employees in the organization. While many see communication employees as producers of ordered publications, Barrett points this is a major mistake during strategic change. She suggests senior communication officers need to be always present at board and top-management meetings; and be an active part of the decision-making process. This is the best way for them to understand, influence and then communicate the new vision with clarity. To sum up, communication staff should be seen as true facilitators of change by the rest of the employees.

**Ongoing assessment:** It concerns analyzing and assessing the effectiveness of internal communication against clearly defined goals. This should be done in a clear time-frame, divided into periods, according to the different stages of the change programme plan. Kotter (1995) expresses a similar view stating change should be divided into small projects, with rewards after completing each. Barrett (2004) underlines that performance appraisals should be individual more than team based. Hence, her model treats assessment as individual – something more typical for Western cultures. Not only performance is important, but also attitudes, as they are more difficult to change. Klikauer, (2008: 130) argues that reorganisation management relies on attitude surveys in a significant majority of change processes.
Achieving communication effectiveness is seen as the main purpose of the function and therefore, should be followed by appropriate recognition. This is true not only for the communication team, but for all employees. If change requires any sacrifice, it should be followed by reward. Barrett (2004) claims employees will not make sacrifices, even if they are unhappy with the status quo, unless they believe that useful change is possible.

**Integrated processes:** As seen from the visual representation of the model, communication penetrates the whole of the organization and has to be integrated into all other business processes. The strategy should include different communication approaches in the different change stages and thus, make them consistent and understandable. Strategic objectives, development and implementation should include communication as an integral part of the planning.

Based on her model, Barrett constructed a more specific example of a three-stage communication strategy plan including the crucial steps for strategy implementation like time-framing (reaching all employees in a 3-month period, feedback loops (for readjusting strategy if needed) and a list of actions for each phase of the plan. This tactical advice was not found as useful as the strategic model, as its content is largely dependent on the situation.

The need to take employees into account is visible in Barrett’s theoretical model and it also supports the widespread view human resource management is of strategic importance. According to Baron & Kreps (1999), this is the main reason leadership should be closely involved in human resource policy development. As seen from increased spending on internal communication, organizations put a stress on this function more than ever. A necessary focus, emphasized by Brooks (2009: 101), is the need to communicate timely and transparently in order to keep motivation on a high level. Cornelissen (2008: 64) addresses the logical consequence of this need as stemming from the challenges the environment poses to the organization, the organizations’ response (reflected in projecting a favourable image) and the subsequent gain of a “first-choice” status among stakeholders in case of success.

Baron & Kreps emphasize on the consistency of human resource policies as an important and necessary step toward building a comprehensive and stable working milieu: “messages are more salient and recalled better when the multiple stimuli being transmitted are simple and support the same theme” (1999: 40). Thus attempts at strategic change as in the case of HP affected employees in multiple ways due to cognitive dissonance in terms of required expectations. Truss (in Purcell & Kinnie, 2007) uses the concept of agency and shows qualitatively and quantitatively
in HP that “managers act as a powerful mediator between the individual and human resource practices”.

Even in the most successful organizations there is only one constant and this is change. Communicating the process effectively on a strategic level includes important areas like well-positioned staff, successful audience identification, supportive leadership, ongoing assessment, effective media and proper objective setting. These constitute a relevant contemporary communication strategy and set the ground for utilizing the proper communication instruments.

3.5.2. Types and Instruments of Communication in Change (Pickel)

Barrett’s model offered a best-practice model to strategically plan communication in change, focused on employees. The next step involves choosing the right instruments for carrying out such a strategy on a tactical level. This includes a clear understanding of the available communication tools; their scope and impact during strategic change.

Pickel (2008) claims that context dictates the choice of communication instruments. According to him, the most relevant question leadership has to answer is: “How can I use the best and fastest solution for my communication, given the specific change pressure I am under?” (ibid). In order to facilitate such a choice, Pickel divides instruments of internal communication and sorts them according to their internal measures: speed, complexity, number of participants (target group) and preparation time needed. This overview, while not completely exhaustive, covers all major communication tools available to change management. It will be useful for data analysis, for it can separate adequate from inadequate decisions for instrument choice in the case of HP.

Pickel (2008) creates his table as a consulting-list for change communication and adds “[T]oo much information is impossible, and communication can rarely be too fast”.

Clutterbuck and Hirst (2002) argue that apart from classifying communication into instruments and internal measures, it is important to know what impact these forms have when used. This way it is easier to identify the scope of their effectiveness during strategic change. Thus Markus’ communication instruments could be further divided into three bigger groups: informing, discussion and dialogue. They are assigned a change index, i.e. the measure of the potential to achieve major positive changes for the organization. It is obvious that merely informing is not

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20 This table of communication instruments, while used for data analysis, was moved to appendices due to its size. See Internal measures and means of communication, Pickel (2008) in appendix.
enough to bring about high potential for change, while two-way communication like discussions and dialogues are more beneficial for the change process.

The authors distinguish between *discussion* and *dialogue*. The first deals with agenda and topics, already set by management, and increases understanding about strategic change within this previously defined frame. *Dialogue*, on the other hand, encompasses all two-way communication, free of any topic frames and restrictions. Since it is not previously defined, it has the highest potential to change behaviour and forge trust. As seen from Pickel's classification, all dialogue styles with a high change index that are simple to utilize require extended effort over time (telephone, personal communication, telephone conference).

<table>
<thead>
<tr>
<th>Style</th>
<th>Type of media</th>
<th>Type and scale of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informing</td>
<td>Memoranda, employee periodicals (print and e-zine), most intranet sites</td>
<td>Raising awareness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change index* = 1</td>
</tr>
<tr>
<td>Discussion</td>
<td>Briefing groups, chat rooms</td>
<td>Raising understanding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change index* = 3</td>
</tr>
<tr>
<td>Dialogue</td>
<td>Facilitated meetings, coaching and mentoring sessions, team learning</td>
<td>Building commitment and stimulating behaviour change</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change Index* = 8–10</td>
</tr>
</tbody>
</table>

*Note: *Item’s change index is a measure of the potential to bring about major positive changes for the organization.

*Communication style versus impact, Clutterbuck and Hirst (2002)*

This means organizations choose to utilize a set of communication instruments more often on the expense of others. This would highly depend on the context of the case and the communication competence, exhibited by leadership.

**3B. Section Discussion (Internal Communication)***

Internal communication is an omnipresent activity in organizations. When utilized effectively, it can bring about valuable benefits like competitive advantage, business excellence and leadership excellence. These three areas acquire paramount focus during change, when the status quo gets shaken and a new vision settles in. Strategic change targets any processes subject to perceived improvement. Internal communication should get integrated in these strategic plans and each stage should be planned respectively. Leadership has a wide variety of instruments at their disposal in order to make the change happen. Choice depends on the context, but a best-practice strategy involves a similar set of requirements.
Internal communication is a bridge for reaching employees and winning their support for executing the vision. Employees are motivated by attempts to reach their desired goals, so these goals need to be communicated in a proper manner back to the managers. Therefore, in order to be beneficial for both sides, communication should be two-way, transparent and avoiding inaccurate and misleading information. This view is taken by a number of researchers in the field (Clutterbuck & Hirst, 2004; Pickel, 2008; Rodgers, 2007; Kotter, 1995; Barrett, 2004; Kitchen & Daly, 2002; Erikson, 1992 among others). For the organization to be able to offer not only jobs but careers during change, a skillful provision of learning experiences should be integrated in the overall change strategy. These, as well as the performance of the communication team, should be assessed on an ongoing basis. Organizational growth is closely related to employee’s individual growth and “employee development must, therefore, be part of a wider strategy for the business, aligned with the organization’s corporate mission and goals” (Harrison in Beardwell et al., 2004). The same applies to managerial positions with a special accent on change impact on manager development (ibid).

As more companies move from hierarchies based on command and control to flatter and matrix structures, internal communication takes on a more interactive nature: nurturing team-building skills, joint decision-making processes and increasing responsibility delegation. All these organizational activities are important prerequisites for a successful change initiative where both leadership and employees strive to achieve the same goals.
4. DATA ANALYSIS

4.1. Company Background

"Hewlett-Packard wishes to make technical contributions for the advancement and welfare of humanity" (Harris & Nelson, 2008)

a. A short historical overview

In 1938, William (Bill) Hewlett and David Packard, Stanford graduates in electrical engineering, launched their own business with initial capital of $538. Hewlett was considered the master mind behind ideas, while Packard took care of management and strategic objectives. Their primary location was a converted garage behind Packard’s house in Palo Alto, CA. A year later, the two officially registered their business and called it Hewlett-Packard. This was effectively the founding of what would later become known as the Silicon Valley. The company was incorporated nine years later. After ten more it started offering stocks for public trading.

Both founders believed finding the right people was more important for strategic success than developing market opportunities. Thus, a focus was placed on innovation and employee independence and mobility within the organization. In 1951 annual net revenue was $5.5 million. Thirty years later it saw an increase to $3 billion.

Innovation is largely pointed as the main drive behind HP’s success (House & Raymond, 2009). Its first products included audio oscillators. First entry in the personal computer market was as early as 1966. Later in 1972 the company invented and manufactured the first scientific, hand-held calculator. Five years later was introduced the most successful product in the history of the company – the LaserJet printer. The imaging and printing systems product segment is still most profitable up to date.

b. The HP Way

The main organizational values of HP were originally formalized in 1957 by the founders and a few senior executives. They would later become the very core of the company’s cultural pillars and would differentiate its approach to employees from competitors like IBM, Microsoft and Dell (Lynch, 2004). These written basics would then turn into the seven elements of the HP Way:

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21 Historical facts in section 4.1. are based on HP Timeline (see Bibliography) and HP Chronology (see appendices).
What makes the HP Way different is the practical side of the values written. They were implemented accordingly throughout the organization and treated as a part of the managerial instrumentarium. According to long-term employees, HP succeeded in creating an environment that celebrates individual input but at the same time promotes the manifestations of spontaneous teamwork (A, B, K, L, M, N). HP employees were encouraged to form in cross-functional teams and then performance would be graded through the performance of the decentralized unit plus the individual’s personal achievement (Dearlove, 1999).

Senior management had the firm belief that HP’s success in the past is totally due to the accent put on innovative products and a structure, enhancing employee contribution on any level of the production process (ibid). The company believed that people could be trusted and should always be treated with respect and dignity: “We both felt fundamentally that people want to do a good job. They just need guidelines on how to do it,” (Packard, as cited by Dearlove, 1999: 94). An official organizational chart existed but priority was given to a free-idea atmosphere where innovation could prosper (B, M).

An important feature of the HP status quo before the arrival of new CEO Carly Fiorina was the persistently communicated message (both through managerial talk and deeds) that employees are entitled to a long-term employment including opportunities for owning stock (Dearlove, 1999). Another feature of management imposed by the “old guard” at HP, MDWA (Management by

22 Letters refer to the employees interviewed, see appendix for informants’ profiles.
Wandering\textsuperscript{23} Around), also points in the direction of trust building and sharing a common work space and responsibilities. Anybody is entitled to take immediate action and form a team from a different department if there is an innovative idea in the works (ibid). A simple overview leads to the conclusion the working environment was supportive to innovation. Baron & Kreps (1999: 46) note that "HP's human resource policies and value statements communicate a remarkably consistent set of messages about what the firm and employees have a right to expect of one another, to the point that employees can (and do) characterize reliably whether or not a given action or decision was undertaken in accordance with the HP Way". Since the HP Way was created decades before the arrival of CEO Carly Fiorina, it was deeply rooted in the organization. As a newcomer she identified symptoms of strong compliance with the HP Way to the extent of active rejection of innovative ideas and good practices that were considered to be in conflict with it (Raunuyar, 2003). As a result, she saw a reason to launch a major strategic change program in order to address this and other organizational aspects she considered negative.

4.2. The Strategic Change Program

This section will explore HP’s change program and how it got managed on a strategic level. It will first identify the main origins of change and the political actors involved in it.

As seen from the company’s chronology\textsuperscript{24}, HP announced a new cost-cutting drive in 1992. Progressing onwards, the company re-encountered problematic areas that prompted a fundamental change was needed, more than just cutting costs. In late 1999, a new CEO was appointed with the task to reshape the organization and achieve a more favourable competitive position. Unlike previous appointments, Carly Fiorina was an outsider to HP and had no direct contact with the specificity of its culture (Burnett & Calhoun, 2005). Shortly after joining HP, she introduced a new organizational structure that aimed at optimizing internal processes (ibid). More initiatives followed that would support not only structural, but also cultural transformation.

The first change, introduced by the new CEO was a change of the organizational structure (Burrows, 2001). The way the organization got reorganized brought many questions and fundamentally redefined employees’ roles (Burrows & Elstrom, 1999). Employees reported a dissatisfaction from the way the new structure affected their mobility within the company. As this limitation was a planned impact for optimizing the working process (Lynch, 2008) and the CEO did

\textsuperscript{23} When referring to this managerial approach (not in the case of HP, but within other organizations), some authors refer to it as \textit{Management by Walking Around} (Cheney et al, 2008; Hatch et al., 2005; Harris & Nelson, 2008).

\textsuperscript{24} See appendix.
not acknowledge it as a legitimate problem: “I remember her speaking at a coffee talk where employees were talking about how hard it was to network and move around the company when many jobs were restricted to only employees within the division. Her comment was that has never been my problem” (MK, 1981-2005). Two engineers (B, K) working at a facility in close proximity with HQ, reported similar responses to their concerns about losing connection with customers.

The new organizational structure divided the company into two big divisions: a *front end* - specializing in marketing, sales and customer care, and a *back end* – specializing in production and innovation. Connecting link was the new reporting system devised to enhance communication between employees while at the same time simplified the control over communication channels. Group of managers reporting to both front and back end organizations would oversee the process.

![Diagram of HP's organizational structure](image)

*The new organizational structure of HP [model is based on the Financial Times (various), Lynch (2009), interviews B, K&N]*

Communication was carried out by managers who report to both front and back end. Employees from back end do not have a formal communication channel to employees from front end and vice versa. Managers serve as mediators (depicted as the two arrows in the model). Back end employees do not have or maintain contact with customers. This is how employees' work was distributed in detail (Lynch, 2009):
Front End

*Business Customer Organisation:* selling technology solutions to corporate customers – 20 000 employees.

*Consumer Business Organisation:* selling consumer items – 5 000 employees.

*HP Services:* delivering customer education, consulting and outsourcing – 30 000 employees.

Back End

*Computing Systems:* makes servers, software and storage – 13 000 employees.


*Embedded and Personal Systems:* makes appliances, PCs and embedded solutions – 1 450 employees.

*HP Labs:* provides technological leadership for HP and invents new technologies – 850 employees.

As the organization lacked the necessary marketing drive, the new organizational structure and rules focused more on sales and marketing than on innovation. Later on, this shift from innovation to marketing prepared the grounds for the first IMC campaign in the history of the company: the global initiative *The Computer is Personal Again* that aimed to reposition HP on the personal computer market.

The next step CEO Fiorina took was to address the strongly embedded culture at HP. Thus, the *HP Way* got replaced by *Rules of the Garage* (Burrows, 2001&2002; Carleton & Lineberry, 2004). They were devised with direct involvement from senior management, the head of human resources and external consultants (ibid). As Fiorina herself put it: “We like to think of The Rules of the Garage as the hp Way, recast for the 21st century.” Next steps in the strategy included acquiring a leadership position on the personal computer market. This goal was followed through by several acquisitions and an intense cost-cutting drive. Cutting costs included the first mass outsourcing from the Silicon Valley and was shortly followed by HP competitors and was followed by setting new rankings for employee performance (Lynch, 2008; 2009). Unlike previous executive management, Carly Fiorina strongly believed in outsourcing. In various speeches she addressed the need for the US market to accept contemporary reality and stop keeping highly-

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26 See HP Documents in Bibliography.


28 See HP Documents in Bibliography.

29 Ibid.
paid jobs just for the sake of blindly sticking to rules created in 1957. To sum up, these are some of the most important initiatives leadership undertook during the change strategy:

1. Changed the value statement of the company, replacing the *HP Way* with *Rules of the Garage*;
2. Attempted creating a culture that would respond faster to both macro- and microlevel factors for change. At the same time stated innovation spirit had to be preserved, just at a higher pace of change.
3. Resized the organization as a shorter way to cutting costs.
4. Introduced a simplified organizational structure.
5. New ranking system for employee performance.
6. Changes in senior management.

The next section will proceed with a causality analysis of the change strategy and the main actors involved in it. These will be used as a basis for analyzing the communication of the main strategic objectives at HP.

### 4.2.1. Origins

Origins of the change process will be related to external and internal factors (micro-, macro-, political reasons), as well as factors such as technology and people.

*Macrolevel: the changing identity of the organization*

These reasons were external and affected all organizations operating in the personal computer market, the server market and the print imaging market. They were a result of environmental developments and out of the reach of control of management. They reflect a shift in organization-environment relationships.

- The first factor to look out for is the general economic condition during the examined time period. From 2001 a period of economic slowdown commenced (Meyer, 2011). This external to organizations development brought about changes that affected internal processes. From this year on HP would consistently experience lower profits than the period before 2001 (ibid), as both large and small businesses (most influential customers) avoided making significant purchases. As a result, orders for printers (most profitable product division for HP) and computers, as well as their corresponding services and supplies stalled.
- 2001 was a year, affected by the results of the artificially inflated dot com bubble. Following the burst, investment in companies, directly and indirectly related to the web,
decreased. A major consequence was an unexpected decrease in demand for telecommunication services (Earle & Keen, 2000). Related products and supplies also suffered a drop in sales.

- HP faced challenges in achieving competitive advantage against its main competitors, especially in the personal computer market. Companies like IBM and Sun Microsystems undertook more aggressive strategies to reaching corporate goals and acquiring a bigger market share (Meyer, 2011; Carleton & Lineberry, 2004). Dell Computers had launched an innovative approach to selling personal computers, with no maintenance for physical retail outlets (Lynch, 2009). Competitive pressure did not decrease through applying existing HP strategies (ibid).

- Interviewees added another external reason for pursuing change: small and medium start-ups began to occupy a more visible space in the Silicon Valley. This new development had to be addressed timely and proactively in order to avoid a growing future threat.

**Microlevel: Co-ordination and transition issues as an organization moves through its life-cycle**

Reasons for change, falling into this category, refer to shifts in co-ordination of activities. They are closely linked to internal processes and happen at a slower pace. Thus, a departing point of analysis is the organizational structure of HP.

The main micro level cause of change lay in a tradition set out since HP foundation. For the sake of innovation, the company adopted a decentralized structure. Such a structure allowed for multiple teams to form spontaneously and work on an idea without having to wait for permission or experience unnecessary bureaucratic delays. The approach encouraged entrepreneurial activity and gave freedom to employees to pursue their own projects. Since many employees owned HP shares, motivation to invent and launch new product solutions was high (N).

Success in this area was evident as HP was considered a leader in innovation (Baron & Kreps, 1999). At the same time spontaneous cross-divisional collaboration lead to a gradual cost increase. Employees reported it was not unusual for a few teams to work on a similar project at the same time, each with varying success (K). For example, there was a lack of a control system, ensuring each part of a printer was always produced by the same HP subcompany. This lead to obvious problems with coordination. Economies of scale were not utilized to their full potential at the expense of freedom for innovation and experimentation. (Lynch, 2009)

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30 At the time of publication Nick Earl is a president of HP’s *E-services & Solutions.*
An inadequate distribution of resources lead to higher costs – a problem the company founders were already familiar with. David Packard himself gives a descriptive example of the negative sides of decentralization (Lynch, 2009; Andres, 2003). When the capital needed for production suddenly increased, senior management could not identify the cause. It turned out large business customers purchased different HP products and components separately and combined them in a system. Payments were not made until the last element of their intended system arrived (Andres, 2003). Companies like Boeing and Ford were reportedly frustrated, as separate uncoordinated HP units marketed different components to them (ibid). This was the reason behind the slower cash flow, until steps were taken to ensure the customized systems were assembled for corporate clients.

Informant responses identify another important reason for change on a micro level - the dominant engineering culture at HP upon the arrival of the new CEO (A, B, D, I, J, K, N). Within the theory of change causality, proposed by Tichy, people could fall into two of the areas, identified by Kanter et al. (1983): as actors in a political process and on a microlevel. As pointed out in the theoretical part, this reason for change is particularly relevant when a new leader enters the organization. Therefore, this area will be incorporated in the analysis as a part of microlevel causes, but could practically find its place under political reasons as well.

Informants claim a marketing leader and specialist was much needed, because main focus was on inventing, while selling was left behind: “[W]hen Carly came I felt we are on the right way. We would keep all that made us great and complement it with her great marketing skills which were badly needed” (Joe, 1980-2002\(^{31}\)); “Carly could sell almost anything” (Lisa, 1986-2005). Informants stated there were missed opportunities for harnessing HP’s core competencies and further monetizing valuable ‘know-how’, especially in image printing where HP was the undisputed market leader. The new CEO quickly targeted decentralization as the main cause for duplication of resources. The next step was a change in the company structure in order to take advantage of core competencies and economies of scale. While the needs for streamlining the organization and improving marketing were obvious to most, the concrete strategy for achieving these goals was not easily accepted.

An engineer states he was initially impressed by the CEO’s visit at his site and the speed with which she would pick up technical issues (K). Later on he would change his opinion and define her technical abilities and theoretical preparation as a façade. Used to communicate in technical slang with both the former CEO and vice presidents\(^{32}\), he experienced an unprecedented lack of

\(^{31}\) Years indicate period of employment at HP.

\(^{32}\)
understanding. Another employee within engineering also expressed anger and concern over the change in strategy. He stated buying new technology instead of inventing it was the wrong approach: “...that's what you get when you purge a company of the world's smartest engineers, managers, and most productive employees with a bunch of MBA's whose only real contribution to date is the constant reorganization of their own internal business processes” (Bob, 1982-2005). Nonetheless, CEO Fiorina’s marketing skills were recognized and highly praised throughout the organization, as she delivered a missing core element to the organization (B, D, E).

While the new CEO offered the needed set of skills, her approach was not seen as fitting well with the dominant engineering culture. Many initiatives were seen as running against The HP Way and the CEO got harshly criticized for disrespecting the core principles of the company.

Political reasons

The founders Hewlett and Packard were the fathers and main upholders of the HP Way. Upon their retirement, a gradual change of guard took place, but in accord with their general values. The Hewlett and Packard families exercised both their political and formal influence (ownership of company shares) to generally direct the organization in a direction they considered right. HP employees believe the most significant changes took place after the death of the founders and expressed a strong support for the old rules and values: “HP Way was the most wonderful philosophy for running a business that anyone has ever devised and it worked beautifully for 60 years until Bill and Dave both passed on...” (Andy, 1995-2001). Informants defined the HP Way as “a brilliant management philosophy”, “what made HP different from anybody else” and “the legendary way”.

After the founders passed away, their heirs tried to exercise influence with varying success. As seen from the HP chronology, political forces were guiding the organization toward a gradual change of senior vice presidents in the period 1996-1999. This trend continued. Both senior management and the background they came from changed (from predominantly technical to more diverse) - all the heads of the various divisions of HP got changed, with only two senior staff directors remaining from the pre-change period (Morrison, 2002; Lashinsky, 2002).

Technology, being proposed by Tichy as a causality factor is a relevant change catalyst in the case of HP for two reasons: the industry of the company and the temporal period of this case study. As already pointed out, the end of the 1990s and the beginning of the 2000s brought about significant shifts in the way businesses operated. Internally, technology will be analyzed within the framework of Barrett’s model as a facilitator of internal communication systems.
4.2.2. Main actors

In order to answer the problem statement, it is important to clarify who was who in the HP reorganization plan. We will take Kanter’s view on four main causes for change and the three categories of people involved in the change process as a starting point. This primary phase will be the basis for the analysis as it is important to identify the actors or who creates the communicative strategy, who implements it and who is a recipient of these forces. As main focus of this thesis are HP employees, this classification is useful for interpreting employees’ responses and understanding the motives behind these responses. That is, knowing what political actor in the change process falls into what category and why they say and perceive change strategy the way they do.

In terms of political actors involved in the change process, the following division can be made:

1. **Change strategists.** Main change strategists involved in devising the strategy were senior management and various external consultants (especially during the Compaq-HP merger). Namely, some of the main strategists were: Chairman and Chief Executive (Carly Fiorina), President and Director (Michael Capellas), Executive Vice President Finance (Robert Wayman), V.P. Human Resources (Susan Bowick), Senior V.P. Corporate Strategy (Shane Robinson).

2. **Change implementers.** 8000 managers who were especially trained for the HP Invent campaign launch (also in Burnett & Calhoun, 2005).

3. **Change recipients.** 145 000 employees.

While this is a provisional classification, numbers apply to employees worldwide. The identified change strategists are the ones stated in official documentation and the available literature. This identification cannot be complete, as informal coalitions and political actors unknown to the general public might have had a significant influence on the change strategy. As seen from Rodger’s view (2007) of how change in organizations originates, various political actors can exert varying levels of influence, disregarding their formal rank in the organization.

4.3. Use of Internal Communication

Firstly, this section will address Pickel’s internal measures and means of communication in change as experienced by employees. Secondly, it will apply Barrett’s strategic employee communication model on HP’s case, based on data, retrieved from interviews. As the problem field of this thesis concerns the use of internal communication during strategic change management, special attention will be given to communicating strategic objectives.

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33 See HP Documents online in Bibliography.
4.3.1. Internal Measures & Means of Communication

In order to gain a deeper understanding of what impact the communicated strategic objectives and targeted messages had at HP, a short checklist was created within the framework of Pickel’s internal measures and means of communication in change. The table of communication tools for tactical implementation, classified by Pickel, was used as a checklist that got offered to informants. They were then free to give their input in open form. This was done in order to corroborate evidence and double-check general attitudes to the communication tools mentioned throughout section 4.3.2. Pickel’s list is offered first, as it refers to instrumentarium, while Barrett’s model in the following section analyzes change communication in direct relation to strategic objectives.

**Telephone.** As seen from Pickel’s classification, this is one of the fastest means to establish contact. Nevertheless, informants stated important messages were not sent through this means of communication. Interviewees identified summaries of their monthly progress reports as the most important content sent over the phone. However, they would summarize the most important of their report and read it on the phone only in case of tight schedules. When time was available, reports would be discussed during team meetings where everyone could comment if they wished. When time was limited, these reports would be excluded from the meeting agenda and shared with direct supervisors over the phone or mail. Although time needed for preparing a telephone conversation depends on the topic to be discussed, informants stated they rarely had telephone sessions longer than 5 minutes. In the initial stages of the change program employees did not report use of telephone as a frequent means of communication. An administrative employee reported getting telephone calls each time her weekly schedule was changed for some reason (C). Another informant was moved to a different department in order to provide support during the days preceding introduction of the new organizational structure. None of informants answered positively when asked if they would approve a major change to be announced through this means of contact. Face-to-face meetings were preferred and no other than first order changes were announced over the phone. This practice was met with approval among employees. They thought it indicated good measure in prioritizing between important and crucial messages (E, F, J).

**Internal survey.** Informants confirmed the use of attitude surveys, but reported participation was not mandatory. As a result, they did not believe it influenced decisions on a strategic level.
**Telephone conference.** This tool of internal communication was not widely used at HP during the strategic change, as it got effectively replaced by videoconferences.\(^{34}\)

**Intranet and intranet forums for staff.** HP employees enjoyed a large number (more than 750) of training websites. Content ranged from topics, directly related to the employee’s tasks, to topics in areas employees had no knowledge about. An administrative employee reported she had access to engineer-related internal training websites, although she was not involved in manufacturing in any way. They were characterized with a high decentralization and no formal organization by type and topic. That is, there was a lack of a single portal that would redirect internal users to relevant websites and subcategories. Forums were an integral part of specialized websites, rather than being independent. They were not seen as an effective means of communication when daily activities were to be discussed. Forums were also seen as ineffective in delivering fast information. Informants within business analysis, market analysis and engineering reported they had utilized forums in order to look for concrete solutions to problems they had encountered during the working process.

**Push mails.** Due to e-mails being speedy, concise and up to the topic, interviewees considered them a suitable tool for informing and exchanging opinions.

**Fast information services: Newsletter.** This tool was perceived as highly unsuitable for informing about change.

**Personal communication.** All informants stated face-to-face communication was most valuable when specific questions about the change strategy could be asked. Speeches by senior management appeared to be closely followed, disregarding if they were carried out within the company or outside of it. Personal communication in the form of informal talk was not seen as a reliable source of information (not a single informant stated this was the primary forum they would use to get informed about change). As a result, informal talk was not identified as an effective a facilitator of change management. Informants were well aware that informal chat, be it within their own department or outside of it, was not a reliable source. A financial analyst who did not experience the old HP Way describes the cultural attitudes toward small talk upon his arrival: “The company culture does not promote a great deal of personal interaction and may be viewed as slacker behavior to talk to coworkers. There is little training time - you need to jump in and figure things out for yourself.”\(^{35}\) He goes on to give advice for improvements: “Offer more opportunities for face-to-face interaction. It promotes a higher level of information exchange”. He

\(^{34}\) All informants used the term “videotalks” instead.

\(^{35}\) Comment was taken from Glassdoor, at it illustrates other interviewees’ attitudes best.
left the company in 2010, when social media was on the rise and commented that social media tools do not replace real "water cooler" discussions.

**Integration website.** Informants confirmed the use of this tool. An integration website was launched in relation to the Compaq merger. It included general information on the future integration between the two companies and featured a detailed FAQ\(^{36}\) list. Although employees disapproved of the merged, they indicated the integration process was executed quickly and effectively\(^ {37}\).

**Notice board.** Accepted as an effective tool for informing about first order changes of little significance. An informant stated she would take offence if she ever found a statement of higher importance on the notice board in front of her office. When two of her team members were let go, a direct manager announced the news in a closed meeting. Quantum changes were seen to require personal involvement rather than a rational explanation in writing.

**Lectures and presentations, Workshops.** These tools were utilized with highest frequency under the Dynamic Leadership Program, i.e. they were targeted mainly at strategy implementers. Every HP employee was required to attend a Fast Start workshop. One product of the Fast Start effort was the “Fast Value” program, one-to two-day focused sessions designed to help employees learn to work horizontally across the post-merger HP\(^ {38}\).

### 4.3.2. HP and the Strategic Employee Communication Model

> ‘We have a lot of soloists in this company and what we need is an orchestra’
> 
> *CEO Carly Fiorina*

Barrett’s model encompasses a number of diagnostic areas that a successful change communication should cover, indicating targeted messages, supportive management, well-positioned staff and effective media/forums as central areas. These then should undergo continuous assessment within a strategically integrated process. Each of these core areas will be analyzed in order to understand how the change strategy - its origins & impact were communicated for supporting strategic objectives. Thus, the case of HP will be placed in the theoretical framework of Barrett’s model in order to directly address the research questions. Klein

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\(^{36}\) Frequently Asked Questions.

\(^{37}\) For more on communicating the Compaq merger and integrating the internal messaging systems of the two companies, see section 4.3.2.

\(^{38}\) Source: “Off and Running,” HP internal communication posted on October 18, 2002 [in
(1996) proffers that communication strategy needs to address each stage in the change process. For this reason, analysis will attempt to follow events chronologically, as this will provide a more comprehensive account of the communicative context.

### 4.3.2.1. Strategic Objectives and Targeted Messages

**a. Setting the new directions: Communication before implementing the change strategy**

The first statement of the strategic change objectives came in July 1999, when the newly appointed CEO Carly Fiorina announced: “The company of Bill Hewlett and Dave Packard is being reinvented. The original start-up will act like one again”\(^{39}\).

Informants reported multiple meetings were held (both interdepartmental and mass gatherings) before the start of the change program. These consisted of face-to-face and video talks in order to raise the *sense of urgency* (Kotter, 1995). Employees reported speeches were a widespread way of communicating strategic objectives and inspiring action (A, J, L, R). At all stages of the change program, the new CEO held multiple such speeches, revolving around "change" and "transformation"\(^{40}\). Speeches, centered on the topic of change, were not only made on HP premises. Carly Fiorina travelled extensively to key conferences and meetings (e.g. the World Economic Forum in Davos) in order to reinforce the company’s strategic objectives and consolidate and legitimize the urgency for change (Andres, 2003; Lynch, 2009). Announcements were made both in the corporate magazine and on notice boards, preparing employees about an upcoming reorganization. Managers were instructed to send e-mails to their direct subordinates. E-mails consisted of content, identical to all employees, but it also included a possibility for managers to add specific departmentally-related content. This made e-mails more personal and further ameliorated alignment of corporate strategy and communication.

At that point internal communication primarily aimed at establishing a new attitude to existing work processes. No detail was given on the concrete steps to be taken (B, C, D, J). Therefore, at first communication involved mostly *attitude-creating processes* (Klikauer, 2008) and *reflection on change* (Clutterbuck & Hirst, 2002). Applied to the accounting change model, this stage of the change process involved discussing the five elements, preceding potential for change. These include: existing *catalysts, motivators and facilitators*; and the availability and quality of *leadership* and *momentum*.

\(^{39}\) See HP executive speeches in Bibliography.

\(^{40}\) Ibid.
Creating a sense of urgency is often associated with anxiety, fear and/or resistance (Kotter, 2006; Rodgers, 2007). It is interesting none of the following characterized employees’ attitudes at this stage. This can be explained with the principles of the HP Way that guided actions since the founding days of the company. The HP Way set high value to individual input and guaranteed continuity of employment. Up to that date no lay offs were performed for the entire history of the company (Baron & Kreps, 1999; Dearlove, 1999). As a result, employees felt a sense of relief rather than fear: long-living issues were being stated clearly by management; something significant was about to be done to end current stasis. Informants expressed satisfaction by the precision of issue identification, manifested by management. The majority of employees had experienced themselves "some clumsiness inside HP" (E). Diagnosing it was the first step to repair. Therefore, raising the urgency level, creating a vision for change and communicating it (as per Kotter, 1996) were perceived as successful by employees.

b. Addressing competitiveness through M&A\(^{41}\) and a new organizational structure

The initial stage of reflecting on change, reconsidering former practices and raising awareness was followed by an introduction of reforms. Among the first of them was a plan to streamline the organization and simplify the working process. As a result, employees got placed in either front end or back end, depending on their specialization and previous role in the company. The rationale behind the decision was the success of the same organizational structure at Lucent. As a former executive vice president of Lucent Carly Fiorina introduced similar changes at HP. One of the informants (J) stated that she and her other colleagues (middle management level within customer care) initially experienced lower levels of motivation in their teams. The previous organizational structure left more space for uncoordinated decisions, but granted higher levels of employee empowerment. A recent study by Chan & Lam (2011) addresses this issue, demonstrating a causality link between employee empowerment and employees’ service performance. Thus, lower motivation could be explained as a result of a decrease in delegating decision-making power.

Resistance to the new organizational structure existed, but it took a subtle, not direct form. Leadership was well prepared to address employees’ concerns about the structural reorganization and readily answered questions in order to motivate people and justify decisions. Informants showed a general acceptance of the new organizational structure at the time it got introduced.

\(^{41}\) Mergers and acquisitions.
The structural simplification was presented as a way to retain the leadership of HP in the imaging and printing systems market, while placing a focus on customers and fast decision-making. Progressing onto a larger share of the low-end domestic and small office personal computer market was seen as another future goal (Lynch, 2009: 779). These strategic objectives were widely accepted throughout the organization as a natural continuation in the company's life-cycle. (see origins of change by Kanter et al, 1992). This contributed to a mutual understanding about where change originated from and why it had to be undertaken. Translated to Kotter's steps of leading change, HP was simultaneously in the process of creating a vision, communicating the vision and trying to get rid of obstacles. Obstacles in this case were the reactions of subtle resistance, exhibited mainly by employees, placed in the back end. Leadership was prepared to meet such reactions and applied a number of measures to address them. Members of senior management, including the CEO, would frequently visit production facilities and engage in casual conversations with employees (Morrison, 2002; Lashinsky, 2002a; A, B, K, L, M). Information on objective financial indices was widely disseminated. This constituted a clear proof that profitability had fallen to unacceptable levels. The old organizational structure took major blame and got stigmatized for tolerating too much resource duplication throughout the company. As this information had a strong factological background, employees could not object to change on rational grounds. Where emotional responses existed (attachment to old ways of work), they took a more subtle form of resistance. Emotional reactions were personal and subjective and were not perceived to stand a stable ground in discussing with senior management. Motivational speeches were also utilized on the internal radio system form the very appointment of the new CEO (B). Leadership timely and adequately approached resistance to the new organizational structure. As a result of the above factors, this stage of strategy enjoyed an enhanced clarity of vision.

In accord with strategic objectives, senior management informed employees about two new acquisitions: Bluestone Software and StorageApps. Both purchases aimed at positioning HP as a major player in the computing market segment. Bluestone Software was seen as a particularly promising company, specialized in application servers, and its purchase was thought to significantly improve HP’s position on the market (Lynch, 2009). This decision was aligned with the communicated objective for gaining a leadership position in the computing segment and thus met approval among employees. The reasons behind the decision were defined as clear and visible to all members of the organization. Informants reported HP lacked the needed skills to develop competitive products and services in this segment. Only two informants (B, K) expressed disapproval of acquiring technologies and stated invention inside the organization was preferrable. However, they admitted the lack of knowledge in the field of personal computing that existed at HP in 2001. Regardless of personal opinion, informants agreed that such a move was logical and necessary in order to achieve strategic goals and not lag behind competition.
The two acquisitions did not require acceptance of significant quantum changes within HP, as the two acquired companies brought non-duplicating resources (both tangible and intangible) to HP. Bluestone Software and StorageApps acted as valuable portfolio additions and their purchase constituted a first-order change to most employees. Account managers added more customers to their portfolios, as they sold an extended range of services and products, but the core of their daily activities remained untouched. Where changes were demanded, they did not tackle behaviour as much as administrative changes of first order. This naturally contributed to acceptance among employees.

Employees who saw a clear benefit from executing the new vision rendered strongest support to the change program. Informants gave a similar response, when asked how internal communication could raise their motivation for change in the initial stage of the change process: *communicating clear benefits after change implementation*. That is, employees wanted to know what would be gained by accounting change before the start of the change process. This suggests *clarity of vision* could be enhanced by integrating *clarity of eventual benefits*. All informants agreed such a clarification should be made before commencing efforts for change. When requested to define benefits, different informants gave different definitions. The given responses could be grouped in two large categories:

1. **Monetary**: opportunities for better financial gainings;
2. **Non-monetary**: opportunities for more learning inside the organization; the pride to work for a better performing company; increased delegation of responsibility and decision-making.

Female employees differed from male employees in that they offered *gender identification* as a non-monetary motivator. Female members of the organization mentioned increased pride and enthusiasm by the fact the newly appointed CEO was a woman: “A woman CEO, incredible speaker, inspiring speeches” (Judy, unknown years at HP); “Carly is an amazing orator. She had me wrapped around her finger when she started. And a woman! I really wanted to see a woman succeed in this role as a CEO of a high tech company” (Tricia, 1996-2000)\(^{42}\). Another employee states she had had great woman role models and hoped the new CEO would be the one to revitalize HP (MK, 1981-2005). Despite employee comments, caution should be exercised when considering gender identification as a motivation for change. While this factor proved to be valid in the case of HP, it is probable it would acquire a different level of importance even if translated to an identical case study in the present. Scott et al. call this issue “error of presentism” (in Daymon & Holloway, 2011) and warn it especially applies to fields and issues currently

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\(^{42}\) This employee gained additional exposure to the change process as an external consultant in the period 2001-2002.
undergoing changes. This thesis takes into account gender, as this factor was proven important by several sources; however, it will not base any findings solely on it.

In 2001, shortly after the acquisitions, a request was made to managers to rank their subordinates in the course of two weeks (D, J, L). At this point only selected managers knew about the upcoming lay-offs, but the exact methodology and scope of the resizing initiative were unclear. Interviewees reported no evaluation of employee performance was made in the first two years under CEO Fiorina. Previously, employee evaluation was performed on a regular basis (ibid).

The "new effective way to manage performance" required a certain number of employees to be placed in low ranking. Judy (a customer care manager, number of years at HP unknown) defined Fiorina’s approach as inconsistent with previous practices and stigmatized mandatory low placements. She expressed high satisfaction with her direct reports and described her team members as excellent: "We were forced to put a certain percent into the bottom band. How odd. We always hired the cream of the crop...pick of the litter employees. No one at HP was considered a bottom band employee or they were not hired or quickly ushered out. We were very very careful in our hiring process" (ibid).

c. Communicating a cost-cutting drive

After evaluation was carried out, leadership announced another major objective: cutting costs. It is important to underline this objective got clearly communicated only after the end of the two-week evaluation period. As a result, senior communication and actions were seen as inconsequent and unfair: "Then a few months later, the "layoff" announcements came. And, of course, our bottom band - perfectly great employees...people who ANY company would be glad to have...were let go" (ibid). Informants claimed the methodology and selection procedure of the performance checks was unclear. As a result, there was a considerable lack of support for the initiative. The momentum, gained through proper information dissemination and discussions was lost, due to a perceived lack of respect from senior management. The real reasons behind the unexpected employee performance check were not communicated and employees felt mislead, while in the meantime making an effort to get used to the new organizational structure.

Another manager involved in customer care also experienced grave challenges in motivating her team (J). The new organizational structure designed HP Services as a division, specializing in

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43 Judy (management position within customer care, unknown years at HP) quotes CEO Carly Fiorina.
44 Original spelling and punctuation preserved.
customer care, education and consultancy. It constituted a major part of the front end (30,000 employees) and became a main target for outsourcing. At the same time the new structure assumed a centralized form of control, leaving less space for individual decision-making. Both downsizing and centralization policies propelled feelings of disappointment, low motivation and lack of empowerment. As a result, this informant felt employee effort decreased and lead to a lower quality of service within her team.

Sudden employee rankings were perceived as an artificial reason to justify lay-offs: “forced rankings caused 10% of all employees to be ranked lower than they ever had. In the layoff of August, 2001, 67% of all the effected were over 40, over 15 years\(^{45}\), and over $75,000 annual salary. The older employees were the target, and took the hit”, Cecil (1982-2001). This move set a precedent and lead to a low morale among employees and negative impact for HP on the stock market (Lashinsky, 2002). Senior management got criticized for cutting costs the easy way instead of optimizing internal processes for the sake of organic growth. The choice to target long-term employees was referred to as immoral and raised a heated debate in the media (Financial Times: various). Remaining employees preserved a negative attitude to the change and stood in support to their older colleagues: “Many of them [laid-off employees were] so close to retirement that finding another job and way to pay for their pension was almost impossible”, (Tim, 1999-2008). The prevailing attitudes transferred onto the few new hires and lead to a further increase in resentment against leadership: “... the company was laying off a lot of people, and there were very few new openings. It was a terribly depressing place to work, and everyone I talked to said the company was going downhill” (Nancy, 2002-now). CEO Carly Fiorina defended the lay-offs, stating her analysis showed HP had missed earnings targets for nine quarters in a row, while 75% of the employees' performance was ranked as “exceeding expectations” during the same period (Fiorina, cited in Carleton & Lineberry, 2004).

The new ranking system caused strong resentment among employees and undermined trust in senior purpose. In order to identify what caused this reaction, informants’ responses to the ranking system were marked with topic codes and then regrouped in a small number of larger topic areas. These were brought down to four distinct causes of disapproval, as they emerged from informants’ feedback:

1. **No clarity of purpose.** Both managers and their subordinates expressed dissatisfaction with the sudden nature of the performance evaluation after 2 years of no such initiatives. No reasons were communicated for the unexpected nature of the performance check. None of the informants was familiar with the applied selection criteria and methodology. Due to the lack of clarity employees

\(^{45}\) That is, more than 15 years of employment.
were free to interpret the initiative in a way, reflecting their own personal experience. After announcing cutting costs, senior management was seen as giving misleading signals throughout the organization.

2. **A limited time frame.** Results had to be handed in a very short notice. Managers had 2 weeks to hand in results after the CEO made an announcement. The tight deadline resulted in disruption of daily activities. Performance deteriorated (K).

3. **Redeployment of decision-making.** Managers wanted the freedom to place no employees or a lower number of employees in the "bottom band". As no such possibility existed, they felt decisions were forced upon them. Managers felt they just needed to hand over data, while decision-making was relocated to a higher level of the organization.

4. **Initiative running counterwise to established culture.** In just two years from the start of the reorganization the culture of the HP Way was strong as ever. Activities, running counterwise were seen as unacceptable and disrespectful to corporate legacy.

Informants stated as most worrying (initially) the lack of dialogue before downsizing was executed. This was not the first announcement for cost cutting (the first major one being in 1992) and a certain cost cutting drive was expected to be set among future objectives. What came as a surprise for employees was the lack of feedback that pointed at a different way of executing the change strategy. Employees also gave examples of former approaches\(^{46}\) to cost cutting that were in accord with the HP Way: financial issues would be first communicated, then discussed and finally, a compromise would be agreed on. As nobody wanted to lose their job, a decision was reached that all salaries were to be decreased on an equal basis, so everyone would contribute evenly. The following two accounts express most vividly how employees perceived these situations: "[there] were the times where we all took pay cut (10%) so no one will be fired when business was tough. We all chipped in and made it work. As a matter of fact we worked harder as we felt that it was our extended family (Joe, 1980-2002). Sema, a UNIX system administrator (1998-2001) summarizes her attitude: "I loved my job. Even when we had 10% pay cuts, I loved my job". In comparison, the new cost cutting initiative caused much resistance. Initially, informants' biggest concern was not the fact financial savings had to be made. It was the top-down decision-making and the one-way communication that bore most controversy. Employees felt that in this way senior management could decide anything they liked and impose it on them with no further discussion.

\(^{46}\) Employees shared old accounts of financial hardships at the company, i.e. the approach of the HP Way to cutting costs.
From this occasion on employees reported fear and anxiety at the workplace. Some interviewees stated they had expected lay-offs, but not to such an extent. The ones who had such expectations were employees at the HQ who had direct contact with the CEO. As a consequence, they were exposed to her views on the US job market: HP employees were wrong about feeling entitled to a life-long employment (D, G, J, K); competition for job positions should be set equal for all applicants all over the world (A, B, M); times have changed and having a fixed number of job positions was unsustainable long-term (N). An experienced manager within customer care described the CEO’s new vision as having the following results: “As I retired, 70 percent of my direct reports were gone and more to follow....all going to either India or Costa Rica” (Judy, unknown years at HP). Belcourt (2006) points there are at least six major reasons for outsourcing: “financial savings, strategic focus, access to advanced technology, improved service levels, access to specialized expertise, and organizational politics”. As seen, HP’s main reasons related most to strategic focus and financial savings.

Cutting costs as a main objective was poorly communicated and executed with no system for feedback loops or discussion with employees. That resulted in strong dissent and formed additional barriers and frustrators to accounting change. The top-down decision was not a subject of influence from the side of employees, but they voiced disapproval both in- and outside the organization.

As the drive for cutting costs commenced, employees reported a strong expectation of symmetrical measures from the side of senior management. An unprecedented cut of 6000 jobs required a sacrifice from the top as well (J, L). Instead, senior management sent multiple conflicting messages through both actions and statements. Informants provide evidence of strong dissonance between the officially stated strategic objectives and their execution, particularly by CEO Carly Fiorina. They reported no savings were made on her side, but just the opposite – the lifestyle she exhibited was in strong contrast with what employees expected.

Employees give a significant amount of stories and examples in support of this claim. Mark (1995-2000) offers a comparison between the ways of conduct of old CEO Lewis E. Platt and present CEO Carly Fiorina:

*Under Carly it became Us (senior management) and Them (everyone else);
Lou drove an HP Ford Taurus – Carly was chauffeured in limos;
Lou flew commercial airlines – Carly travelled by private corporate jets;*

47 Spelling and punctuation are edited, the original text can be found in the appendix
Lou had an office cube (like everyone else) - Carly may have never walked into a cube;
Lou was compensated well – Carly was extremely overcompensated;
Lou was given a case of wine when he left – Carly got $21M after she was fired.

Interviews (A, B, C, E, F, J, L, N), Alan (1977-2002) and Jakob (1986-2004) also describe Fiorina’s actions as strongly contrastive to the overcommunicated strategic drive for urgent savings. These sources give evidence the CEO purchased new corporate jets and limousines – an unprecedented buy during previous periods of cost-cutting. For the first time in HP history the executives’ parking lot on HQ premises in Palo Alto, CA got fenced in. At the same time Fiorina’s husband was appointed in charge of executive security and given a separate office on HP payroll (ibid).

Strategy implementation greatly suffered from these moves, taken by leadership. At this point the change program was in the stage of a difficult transition of moving to a new level as per Lewin, (1951). The change required a high level of compliance from employees with no such match from the side of senior management. Informants reported there was no channel through which complaints and discussions on the topic could be realized. As a consequence, informal talk in small peer groups prevailed and spread throughout the organization.

Applied to the congruence model, leadership exercised their power to change: employees’ daily related activities (work) and the organizational structure (formal organization). However, the inconsistency between their actions and the already communicated strategic objectives did not grant them control over the employees’ opinions, unwritten rules and norms (informal organization). This grip of control slipped as employees drew comparisons between now (during the change process) and then (certainty and perceived stability under the HP Way) and exhibited nostalgia for former leaders. While rational concerns were addressed accordingly, emotional reactions grew stronger with no adequate reaction from senior management. People’s capabilities were taken into consideration while devising the new organizational structure and performing the cost-cutting. To the contrary, employees’ personalities and expectations were poorly taken into account.

To sum up, HP attempted to move to a new level, but at this stage the performed actions did not match the communicated strategic objectives. Work design was under the control of senior management, as well as the management of the formal organization. However, manifestations of the informal organization and people’s expectations and personal needs were not addressed accordingly.
The opinion that hiring an external CEO was a big mistake dominated the next stages of the change strategy. Employees used the inconsistent messages sent by leadership as a reason to resist otherwise good practices of the change strategy (J, M). The majority of employees saw the need for change, but the lack of symmetrical effort from the top made them hold onto the old HP Way even stronger.

d. Communicating the Compaq merger

As already seen, employees expected a cutting cost initiative to be matched on the side of senior management. These expectations were not met and employees’ dissatisfaction was left with no satisfactory answer. In September 2001 a merger\(^{48}\) proposal with Compaq Computers got announced (Burrows, 2001). This move was in accord with the consistently communicated strategic objective of acquiring a leading position on the personal computer market. However, it ran counterwise the communicated cost-cutting drive – the initiative that affected employees most. As a consequence, informants reported that (from that moment on) they expected the unexpected and did not trust messages from senior management, concerning the change process (A, B, D, K). Questions were asked if letting employees go and cutting costs were done for the sole purpose of affording to overtake Compaq. A short-term employee had the following reaction: “Well, I ended up being one of those 6000. I accepted it as business […] My last day was August 24th, then on Sept 3rd HP announces that it will be spending 21 billion\(^{49}\) on acquiring Compaq. What happened to the needed savings?” (Dave, 2000-2001).

Employees expressed a strong disapproval of this decision by senior management and reported no effective forum for discussions was offered. Secondary data confirms that HP leadership did not seek the opinion of employees and the Hewlett and Packard families. As a result, a long and fierce proxy battle commenced, moving discussions from inside the organization into the public arena (Burrows, 2001 & 2003; Morrison, 2002; Lashinsky, 2002; Andres, 2003). The lack of communication on the side of senior management was interpreted as largely inappropriate, because the merger needed shareholder approval\(^{50}\) (Morrison, 2002). Employees (anonymously) and the founders’ heirs (openly) expressed strong opinions in the media against the merger. Thus, employees redirected internal messages to an extra-organizational level and began disclosing company information. Employees reported this was done in the hope of exerting influence over the future decision (A, K, M).

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\(^{48}\) Although most articles use the term *merger* to describe HP’s strategic move, some authors and employees refer to it as being practically an *acquisition*.

\(^{49}\) Amount in US dollars.

\(^{50}\) Both employees and the founders’ heirs held HP shares.
Both laid-off and current employees showed initiative in sharing their stories with business magazines and television shows. A long-term employee whose retirement plan did not get affected by change implementation\textsuperscript{51}, claims he was given money not to speak to the media: "I was offered an extra incentive if I agreed NOT to speak poorly about Carly in the press for 1 year! I admit to taking the bribe and still talking about her to the press anonymously" (Mark, 1985-2003). This employee was not familiar if such an offer was extended to others like him\textsuperscript{52}.

At the time rumours about the proposal were abundant in the organization. To the contrary, official communication did not inform about any specific decisions. Communicating strategic objectives of increasing competitiveness and streamlining the organization were still present, but did not have a positive effect. At this stage employees were more interested in whether the merger will take place or not, rather than receiving information on the new vision (M). Managed internal communication did not address these needs for information, so employees attempted to find retrieve in alternative ways. Some of these included:

1. Trying to reach an informant from within the organization as high in the hierarchy as possible.
2. Inquiring within the immediate circle of friends (networking for the purpose of information retrieval).

When an official announcement came from the CEO, employees interpreted the decision as irreversible unless shareholders voted it down. When asked if they got offered a chance to communicate opinions on the proposed merger, employees stated all they received was an e-mail (G, J, M, N). While this is an effective way to gain understanding about the dominant attitude among workers, this e-mail was not perceived to be executed with this goal in mind. Informants explain everyone got an e-mail directly sent to their HP accounts, containing generic text\textsuperscript{53}, asking about the following information:

1. Their position in the company;
2. Length of employment;

\textsuperscript{51} That is, he did not get affected by the implemented changes in a negative way.

\textsuperscript{52} Unlike other statements by employees, this particular claim could not be corroborated by other available sources. It was left nonetheless, as information of this kind is difficult to confirm and concerns informal affairs between political actors. The barrier to confirming this datum does not indicate it as true or false. However, it was left due to its importance.

\textsuperscript{53} That is, all informants received e-mails with identical text. Message was not individually tailored.
3. Personal opinion on the Compaq merger.

This is how an employee (Mark, 1983-2005) described his reaction: “I personally ignored the email, however many of my co-workers wanted to look like team members and answered that they thought it was a good idea. Yet in person they said it was a horrible idea”.

Offering anonymous feedback was not offered as an option. As a result, this e-mail was largely perceived as an insincere manifestation of care. Both Clutterbuck & Hirst (2002) and Pickel (2008) define e-mail as a speedy two-way communication, characterized by a medium potential for reinforcing change (raising awareness, change index*3). However, this case shows e-mail can be offered and presented as a forum for dialogue, but practically designed and utilized as a one-way communication tool, supporting an already set corporate agenda. The premerger e-mail was seen as a major persuasion tool in the proxy battle for passing the Compaq merger: “…Carly said to the public that employees were behind her with the merger. Had she sent out an anonymous survey, her response would have been drastically different. I could not believe this was a directed email to be replied to!” (Mark, 1983-2005). Another employee reported that as a consequence, he lost all respect he had left for the CEO (Dave, 2000-2001). Other informants reported they did not believe they could make a difference at this stage, so they did not answer the e-mail (E, F, I, L). This reaction could be seen as unwillingness to participate in the communication process due to a lack of appropriate forum and protection: “This e-mail? We didn’t know if we should cry or laugh at it. I opted out of the game – speaking against could be dangerous, supporting it would be a lie” (E). As a response to change, this decision on the side of some employees could be filed under withholding support, help and information. Despite such a response effectively being an active resistance, it was successfully used by change strategists as a justification to further continue with implementation. Interviewees referred to the merger as a disturbing quantum change, in which they were devoid of decision-making power.

The Compaq merger also met ongoing active resistance from the two founding families, presented by Walter Hewlett and David Packard Jr. Both of the founders’ sons issued an official statement announcing they would vote against the merger. Senior management was in the process of fighting resistance from employees and the Hewlett and Packard families, while receiving strong criticism from Wall Street and the business media (Williams, 2001; Lashinsky, 2002a & 2002b; Morrison, 2002; Andres, 2003; Burrows, 2003; Financial Times: various54). Nevertheless, the merger passed with a 3% majority in what was described as the most expensive proxy battle in corporate history (Burrows, 2003).

54 See Bibliography for a list of Financial Times publications.
While senior management succeeded with executing a major step of their intended strategy, they were about to meet increasing resistance among employees. Informants reported unwillingness to collaborate during merger implementation. Main reasons stated were:

1. **Anxiety and fear of the unknown.** Compared to the previous acquisitions (Bluestone Software and StorageApps), Compaq was characterized with a distinct similarity in terms of skills and portfolio. Employees were aware that upon merging the two companies would have a certain duplication of resources. As cutting-costs was still maintained and communicated as one of the major strategic objectives, employees expected more layoffs! were to follow. At this point management did not inform if duplicating positions after the merger would be cut from the side of Compaq or HP. That lead to what employees described as “constant uncertainty” and fear of losing their jobs. This is how an employee sums up the whole period of waiting for information and performing her tasks in uncertainty:

> You never knew if your product would be cancelled, your division shut down or sold off, or people laid off. It was very stressful and killed productivity. I remember people joking in the cafeteria...
> "What are you working on these days?"
> "My resume."

*Carole (1989-2008)*

2. **Disappointment and anger.** While some interviewees offered rational reasons for not supporting the merger (like uncertainty), others appeared to have been mainly lead by emotions. At this stage of the change strategy these employees had already developed strong feelings of resentment, primarily directed at the CEO. They interpreted her actions as running against the HP Way and stated their initial hope and trust turned into disappointment and anger. Some of these informants shared that the CEO’s personality was often enough of a reason for withholding compliance.

The above responses to change can be classified as grounded in both *cognitive* and *emotional* sources. *Cognitive* in this case refers to the knowledge employees had already gained as a result of communicating the cost-cutting drive. The first wave of laying off employees in 2001 and the way it got executed formed the *belief* that nobody’s position was guaranteed. Based on this cognition, employees developed an ongoing fear of the unknown, as an action once performed could be repeated again. Based on a second cognition about (the knowledge that merging with a company from the same industry inevitably leads to) resource duplication, employees rationally reconfirmed their anxiety and fear of the unknown. While *emotional* responses are more difficult to handle, *cognitive* based ones are more susceptible to elimination (Petrini, 1995). Therefore, disseminating official information (e.g. which employees would continue their employment and
how this would be decided) could decrease employees’ cognitive based resistance. As such information was not provided, both emotional and cognitive responses against change remained.

These responses to change spread both throughout and outside the organization (Morrison, 2002, Burrows, 2003; Andres, 2003; Elgin, 2005) and required an immediate reaction from management. CEO Carly Fiorina engaged in a series of information meetings (both face-to-face and video talks), where she would answer questions, asked by employees. She turned to the old management approach, advocated by Hewlett and Packard in the early days of HP – management by walking around (Lashinsky 2002a, 2002b). Her site visits and “coffee talks” increased their frequency – not only on the territory of California, but throughout the United States (ibid).

Employees from the back end reported they got invited to extensive technological symposia together with members of senior management. Informants expressed dislike by the slow reaction and defined the effort as “post factum” and “fake”. However, engineer employees reported they could finally ask questions and receive reassurance. Thus, interviewees within electrical engineering approved of the reaction, but expressed dissatisfaction from the technical skills of the representatives, sent to the talks. To employees in the back end, the lack of common language made these talks appear more an inspirational tool, rather than giving true directions (B, M; Alan, 1977-2002).

Another engineer expresses what most like him thought of the change strategy: HP should have continued to grow through “creativity, innovation, solid engineering and great products... NOT restructuring, mergers, and layoffs” (Art, 1985-now). Another source reconfirms HP engineers seriously questioned the new strategy after the merger, but reveals the CEO’s communicative style and interaction with all company members were seen as largely positive and down-to-earth by Compaq transferees (Lashinsky, 2002a). Compaq employees were reportedly more open to embrace the new changes, because these were closer to their own culture (Andres, 2003).

Leadership was aware of this cultural difference and set out to integrate both cultures in a way, supporting strategic objectives. Carly Fiorina saw the injection of “new DNA” as a major facilitator in creating the organization she envisioned (ibid). Two consultants involved in the cultural integration of the two companies offer an insight into what the process included: “extensive executive interviews, focus groups, site observations, and document reviews. All of the CDD data was summarized and fed into HP’s integration engine—the “Clean Room”—where up to 650

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55 Cultural Due Diligence. For more details on this approach for cultural M&A integration see Carleton & Lineberry (2004).
cultural consultants, working part-time while continuing their regular jobs, planned the implementation of integration initiatives” (Carleton & Lineberry, 2004: 67). In May 2002 the companies already functioned as one, at least on an operational level. Employees report the merger was executed fast and effectively: “all projects were going well ahead time and all ex-PAQers\textsuperscript{56} I worked with performed really great”, “integration of internal messaging worked well from day one”, “in the second week [after merging] my team started working with new colleagues from Compaq […] there were no delays”, “I was just amazed how fast it all happened”, “I was against the merger, but once decided, it ran real smooth”.

Short-term gains included: cutting approximately $3.1 billion in costs (a year ahead of HP’s initial forecast of $2.5 billion by the end of the fiscal year); revenue and operating profits up; gaining market share in areas such as basic servers and personal computers (ibid). Long-term the company did not deliver the set financial goals\textsuperscript{57}. Employees who retained employment at HP reported feeling let down and making “an effort for nothing” (K). While pressure from competition and low profits were largely communicated as the main origins of change strategy, leadership began avoiding these topics after the merger (H, I, L). Senior management blamed the lack of success on the high turbulence in the markets and argued things would have been worse if no change was pursued (Lynch, 2009). A continued failure to meet promised earning projections eventually lead to CEO Fiorina being removed from her position in 2005 (ibid).

4.3.2.2. Supportive Management and Positioning of Staff

a. Rendering technical support for integrating internal messaging systems

As already seen, employees confirmed the structural integration of HP and Compaq was performed quickly and effectively. The merger got executed a year ahead of time (Carleton & Lineberry, 2004) and this also concerned all projects responsible for the messaging systems, technically supporting internal communication. The messaging integration project had one main goal: integrating both companies’ e-mail provision so that all messages could be routed efficiently within and outside the firewall\textsuperscript{58}. The mail accounts of Compaq employees had to be integrated

\textsuperscript{56} Former Compaq employees.

\textsuperscript{57} Sources: HP Annual reports 2001 and 2003; “HP Position on Compaq Merger,” HP, December 19, 2001, p. 10;

\textsuperscript{58} See Tony Redmond’s Message System Integration in HP documents online (Bibliography).
Into the common HP Enterprise Directory. Then they received *hp.com* addresses for external use, while retaining *compaq.com* addresses for internal communication on the intranet.

![Diagram of HP and Compaq messaging systems](image)

*Integration of internal messaging systems at HP and Compaq.*

*Own model based on project by Tony Redmond (HP Consulting and Integration)*

Although this constituted a 1st order change and did not affect how employees interact within the organization, rendering support for message system integration was important for establishing an effective infrastructure. Informants reported the project as successful, thus confirming Redmond’s claim for minimal calls to helpdesk on the first day of the merger.

*b. Supporting employee development in change*

Apart from maintaining effective infrastructure with minimal modifications, affecting employees’ daily activities, senior management sought to advance trainings. The biggest initiative in the change program was Dynamic Leadership — a specially designed program, meant to support more than 8000 managers, the core group of *strategy implementers*.

Leadership rendered support to the need of such development by forming a special executive group: “HP’s Workforce Development and Organization Effectiveness Group designed and implemented Dynamic Leadership — an intensive development process specifically designed to accelerate alignment to senior purpose, improve collaboration across boundaries, accelerate

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59 Ibid.
raising and resolving issues, and improve decision making” (Burnett & Calhoun, 2005). The program included two full days of instruction and working in groups followed by nine weeks of on-the-job application and follow through (ibid). The speed and scope of the initiative allowed managers to utilize the learnt tools and methods and facilitate strategic change as early in the process as possible. Dynamic Leadership Program was one of the main engines of change strategy, as it targeted strategy implementers at large, i.e. the organizational members that had direct contact with the most populous group of actors in change – change recipients.

The follow-through process of Dynamic Leadership (Burnett & Calhoun, 2005)

Two of informants who participated in the program reported they were encouraged to give constant feedback to the Organization Effectiveness group. This granted the program flexibility to address concrete gaps in managers’ skill set and add trainings accordingly. One of informants (D) describes how he felt: “…like I was back in school, just that now I learnt exactly what I needed and nothing unnecessary”. He reported he changed the way he discussed issues with his direct subordinates as a result of the approaches he learnt from one of the tracks of the program. He could not name the exact track, but this is the Dynamic Leadership exhaustive list of subjects as offered by Burnett & Calhoun (2005): context setting through business mapping, laws of conversations, conversations model, rapid decision making, RACI model for decision making, authentically raising and resolving of issues.
The Dynamic Leadership program successfully identified change implementers as instrumental for executing the change strategy. As seen from the content and design of the program, its core concerned learning communication techniques and approaches, reinforced through continuous feedback.

c. Supporting change through leadership communication

Upon her arrival, Carly Fiorina recognized the immense heritage left by the HP Way and commented on it in the HP Annual Report 2001: “the real genius of the HP Way is that it’s a legacy built on innovation, bold enough to embrace change and flexible enough to absorb it”. This restatement of values was clearly meant to support the acceptance of the major strategic change she directed in the organization. Her subsequent promotion of the new Rules of the Garage was seen as an attempt to shape the company in the way she envisioned, i.e. without the active participation of long-term employees. This was done purposefully, as she found that proposed innovations and new ideas were being rejected because they were “against the HP Way”. While restating the old values, Fiorina at the same time spoke out against them. Her analysis showed that the HP Way has become a shield against new ideas (Raunuyar, 2003), but none of employees agreed with this statement. They referred to the HP Way as “a brilliant management philosophy” (Tom, 1992-2006) and the period of the HP Way as “glorious […] years” (George, 1994-2005). While the purpose of this thesis is not to judge whose view was “right”, the conflicting messages did not support acceptance of change: “I think the single biggest mistake that Carly made was to presume that she was smarter than Bill and Dave (Tom, 1992-2006)”.

To the contrary, CEO Fiorina’s rhetorical skills as a leader were greatly appreciated throughout the organization. This is how employees defined her abilities as an orator: “excellent”, “an amazing public speaker”, “incredible speaker”, “an amazing orator”, “well scripted speech[es]”, “inspiring speeches”, “she spoke well at coffee talks”, “talked a good game, and got lots of positive press for HP”, “inspirational talker”, “a charismatic visionary, and a really great pep-talker”. An employee sums up his first impression from hearing CEO Fiorina speaking in an employee meeting: “truly impressive… [S]he spoke for nearly 45 minutes without notes, and without common public speaking stumbles or gaffes - no “ums, errs, or ahhs.” She seemed very polished and forward-thinking. (Rex, HP/Compaq, 1993-2005). Employees within engineering offered a different perspective on the rhetorical and marketing skills of Fiorina: “As an engineer, I walked out of her company-internal video talks ready for action, but wondering, “Where's the beef?” There wasn't anything specific you could use to make yes/no decisions, which is the hallmark of a true "vision" in the technical sense (Alan, 1977-2002). Independent decision-making
is an integral part of the HP Way (Dearlove, 1999) and something the new strategy with its strong centralization lacked.

4.3.2.3. Ongoing Assessment

In the middle of 2000, an enquiring survey was introduced to employees at all levels to assess the ongoing progress of manager trainings in relation to the HP Invent change programme. Quantitative data pointed at employees’ support of the trainings as a result of their level of usefulness. The new HP imperatives required a different type of employee and that logically affected the “old guard” employees the most. They reached an agreement that change was indeed the route to go, especially quicker and optimized decision making on different levels of the organization. One of the most required tools was a measure for better accountability, tighter in comparison with the HP Way and an emphasis on the customer. Employees were still not aware at the time of the assessment that customer service would be largely outsourced and HP would take the lead in outsourcing, followed by its major competitors.

In the spring of 2003, after regained efforts to communicate strategy both internally and externally and after the introduction of the Dynamic Leadership programme, HP conducted another survey of all employees worldwide. More than 93,500 employees, 68 percent of the total responded (ibid). This time survey results registered high satisfaction from the internal communication function. According to Fiorina, this survey revealed that “most employees now understand the companywide strategy and can support HP’s image in the marketplace—our focus on this area in the past year resulted in large improvements” (ibid).

4.3.2.4. Effective Media/Forums

This section contains analysis of the media and forums for internal communication that employees identified as having a high visibility during the change program. It is important to make a distinction between meetings where interaction was encouraged and meetings with an inflexible agenda, designed to inform rather than serve as a free forum. The first type would be referred to as meetings (small group), while the second – as meetings (mass). Literature on communicating during strategic change does not offer a relevant typology of meetings. The distinction emerged as a result of informants’ accounts. Employees consistently characterized one type with a high level of satisfaction and associated the other with ineffective practices.

Meetings (small group)

Meetings were identified as the most effective forum for asking questions and exchanging ideas about the change process. All informants placed this forum in the top of their preferences and stated it is the fastest and most reliable system for internal communication. The reasons given are: the ability to ask immediate questions, a possibility to divert the main topic to a more urgent issue without formally asking for permission, “a feeling of equality, as my direct manager is right in front and we speak openly”, “speedy and up-to-date”, “no mass gathering”, “a good check up with my immediate working circle”, the ability to ask managers for their personal opinion and exchange ideas. An internal accountant highlighted an interesting aspect of less populous meetings – the ability to discuss issues and get feedback within a small peer group without being recorded (unlike the case of written communication). However, a currently employed project manager (I) complained HP managers spent almost no time on employee development, “and all their time in meetings”. The Dynamic Leadership program properly identified this problem and offered coaching for enhancing conversational effectiveness. Participants reported positive time saving and increased understanding within their team groups.

Meetings (mass)

While meetings are received very positively, there is a meeting type that consistently got mentioned within a negative connotation. This lead to creating a separate section that would examine it. Both interviewed employees and secondary data comments by employees point at a low satisfaction level from mass meetings. Such gatherings are seen as too populous, highly inflexible, dirigible by senior management and sticking to a previously decided agenda, where employees have no way to express varied opinions and ask questions. When asked why effective interaction was not feasible, informants mentioned multiple cases of previously imposed limitations during the change program:

1. An informal ban on interruptions meant no possibility of going back to past issues and asking for detail.
2. On a few occasions a list of allowed questions was handed in. Questions off the list were not to be asked.
3. Senior management bodyguards limited physical closeness and created a visible barrier between speaker and audience. An employee showed disappointment that the CEO appeared with bodyguards even on occasions that did not require such levels of security: “Carly showed up, surrounded by bodyguards, even though this was just a hotel meeting room with HP employees” (Rex, HP/Compaq, 1993-2005).
Informants pointed at special preparations before mass gatherings for the CEO speeches. Such preparations were interpreted negatively, as running counterwise HP culture: “the fanfare, the noise makers; before she came to a site there was major commotion and noise makers were handed out to everyone attending, helicopters flying over, her ego was too big for the HP sites” (Art, 1995-2010). Employees state they disliked “the gatherings in large halls where cheering recorded sound and applause were piped in” (Andrew, 1984-2008). While meetings fall under dialogue according to Clutterbuck and Hirst’s model, employees’ responses show that this type of meetings was seen as one-way communication. This forum for employee communication was particularly favoured by senior management for important announcements. Employees, on the other hand, showed little to no approval of it and did not identify it as effective in positively communicating and consolidating change.

- **Intranet (web-based internal communication)**

HP possessed more than 750 internal websites for information/training/idea exchange (Lynch, 2009). Some of them were said to be partially or entirely covering the same topic area. In the very beginning of the change program, when cutting costs was set among main priorities, an announcement was made that duplicating resources would not be tolerated (K).

As these internal websites were a part of the old ways of online communication, management realized downsizing them was seen as a major blow at established communication traditions. As a result, the CEO chose to make the announcement. The decision was a distinct quantum change, but did not meet significant resistance. This success in addressing the issue was due to the rational approach to explaining the decision and the direct involvement of the CEO and her proactive expression of understanding. An administrative employee offered the following opinion: “We’ve been having these online platforms for ages. I can’t say I was in love with them ‘cause many were downright useless. But there’s something else - I enjoyed the freedom of choice and the huge possibilities to search for loads and loads of info. Once they announced the cutting, few really objected on rational grounds. Most knew this freedom cost a lot in maintenance.”
Interviewees stated they paid low if any attention to the official HP magazine, targeted at employees. Two informants, both in administrative roles (C, F), claimed they never did more than take a brief look at the cover. This could be partially explained with the lack of content, covering these employees’ roles. A marketing manager saw it more as a tradition, rather than a good source of information: “You should get that straight – this is not a discussion forum… more of a one-way communication for the sake of boosting corporate self-confidence and prestige. No one expects such media to deliver fast enough” (D).

A software engineer (R&D, 1999-2006) had different expectations. He did not identify speed and dialogue as the most important aspects of an internal magazine. Instead, this informant expected to read details on the status of current projects, running in his department, especially such he had no formal touch with. He characterized information across the department difficult to formalize due to the size of the organization. Learning from other R&D teams and their success in dealing with issues was seen as very important. Weekly departmental meetings, an old tradition, were too populous and too short to touch on all aspects of other engineer teams and their projects.

This informant asserted that upon joining HP, his colleagues advised him not to pay attention to the magazine, as there would be no interesting content inside. He soon joined them in their opinion as he felt the work at his department was not truthfully portrayed. In his view, only successfully finished projects got attention, while no information was given on the middle stages of ongoing projects: “I know this trend, we’re like both employees and customers now. So they want to sell those stories about the greatest break-through innovation projects, hitting the big time. And they make it sound easy, as if it happens just naturally. I know that’s not how it works. I want some real stories – how did fellow engineers get around problems, how did they deal with the issues? Zero detail on that. But of course, non-engineers wouldn’t care about reading this” (B). The informant claimed that colleagues in his immediate surroundings performing similar tasks, rarely paid due attention to the magazine. Instead, they relied on tailor-made, specialized information from their direct supervisors. As a result, they did not turn to the corporate magazine when the start of the change program got announced. They sought information through direct contact and asked questions to senior management at meetings, especially designed for that purpose.

A market analyst (E) also supported this view, but gave a more radical description. This informant defined the corporate magazine as a “brainwash tool, merely reinforcing desired corporate
culture” and claimed meetings were the right forum for learning about change. When asked if the magazine was seen negatively and generally met with resistance, informant disagreed. This media was seen as easily avoidable, so it was not perceived as a threat. It was neither seen as an effective forum for nurturing new attitudes.

The avoidance→disregard attitudes to this media might be interpreted as reinforced by older employees and transferred to new hires. Thus, new employees might form a negative opinion in advance and only seek to embed it further after actual reading. Such trends are not easy to measure as this magazine was distributed freely in common places. New issues first appeared on specially designated stands. Then employees were free to take, move and place them at other locations of interest throughout office premises. Therefore, usability and actual media penetration (to what an extent texts were actually read) remain unclear.

The corporate magazine was perceived as having further shortcomings, other than content. Employees pointed at its low speed – if things got changed in the meantime, employees felt they would be left with old, irrelevant information and no channel for asking questions. The too wide scope of this media was identified as its other main disadvantage. This turned the corporate magazine from a media for all into a media for nobody in particular. While successfully summarizing the most important events in the company, the magazine failed to address the specialized needs of employees. As seen from theory, information demand increases during major change initiatives. As a result, this disadvantage became even more visible, as the official magazine did not deliver specific information on departmental changes. Informants from the back end (involved in manufacturing and R&D) did not perceive corporate communication employees, who took care of the magazine, as competent enough to deliver technical texts of value. At the same time, uncertainty in the beginning of the strategic change process was high. As a result, employees assumed additional changes could have been made after publication.

Thus, the corporate magazine was not seen as an effective forum, facilitating the change program. Employee feedback showed that it could be utilized as an additional help but not as a major forum, making change happen. Uncertainty during the lay-offs prompted employees to be concerned first about themselves and their role in the organization and then seek information on the general vision. The corporate magazine was perceived as having a wide target and therefore unable to directly address such concerns.

To sum up, meetings remained a more popular alternative than written material in the form of internal corporate matters magazine. That fact points to leftovers from the old HP Way and the old not-so-strict organizational structure when interaction would be completely free on the
premises as long as innovative ideas are being pursued. Due to duplication of resources a number of internal websites were shut down while the internal channels (weekly meetings in each department) were kept as a tradition from the times of the HP Way. Personal communication continued to be seen as most valuable when communicating the core objectives, set by strategic change management.
5. FINDINGS AND IMPLICATIONS

This chapter will offer the main findings of the carried out analysis in direct relation to the research questions, posed in the first chapter. A case was selected purposefully to provide a detailed illustration of communication in change and position the theoretical aspects of the chosen problem field within a real-life context. In order to gain deeper understanding about how internal communication can facilitate change, an investigation was carried out of how employees perceive the communication of strategic change. Analysis commenced with a short presentation of the company and proceeded to: identifying the origins driving change, the political actors involved in the process and the main steps of the change strategy. Next, the analysis focused on internal communication and addressed both instruments of change communication and the concrete steps, taken to communicate the main objectives on a strategic level at each stage of the process.

The problem formulation addressed the need to analyze the nature of internal communication as a tool of strategic change management. In order to complete the initially posed research purpose, the three research questions will be answered in turn.

RQ 1: What were the origins and impact of change in the case of HP?

a. Origins

Main origins of change on a macrolevel emerged to be the deteriorating economy, competitive pressures and the artificially inflated value of online-based services. On microlevel they included strong decentralization, ineffective operating processes and cultural collisions within the organization. Changes in senior management (only two from the old directors remained after the change and a new CEO entered the company) caused the strongest political drives for change.

The environment included competitive pressures as in the case of HP where the company was falling behind in personal computer and server sales. Business relationships were also a major reason for the strategic change initiated by Fiorina after her decision to acquire Compaq and add its products to HP’s portfolio. That meant coordination on many levels; and a significant impact on employees, whose concerns were not always met by timely and effective communication from management. People as a cause for the change at HP was the most obvious reason of all – any new entrants to an organization bring different and often conflicting views on the future route forward. Undoubtedly, change is required in case of differing educational or cultural background between change strategists and change implementers/recipients. The importance of this fourth
factor pointed out by Tichy increases dramatically if it involves changes in the leadership of the organization which was the case of HP.

b. Impact

The impact strategic change had on HP employees concerned a new organizational structure, changes in leadership and cultural collisions as the HP Way got questioned. Collected data pointed at cultural differences as the main reason for employees to feel anxiety, dissatisfaction and low morale. The feeling of powerlessness in the face of change was rooted in the new focus on centralization and redeployment of decision-making to a higher level in the hierarchy. Carly Fiorina was an executive officer coming from a sales and marketing background, while the majority of employees had an engineer background and possessed a higher level of operational skills. The gap proved to be hard to close and lead to multiple misunderstandings that made an impact to both employees and senior management.

**RQ 2: How did employees perceive the communicated strategic change?**

This question will be answered based on employees’ accounts and following the chronological order of events. The answer to this research question is positioned within the theoretical body of knowledge on change management during strategic change.

All interviewees assessed strategic objectives as highly visible and stated they fully understood them. Before strategy implementation official communication throughout the organization was perceived as “doing a good job” (A, E, I) in raising awareness. Main goals set for the future were clearly stated. Both primary and secondary data confirm employees were well aware of the need for optimizing internal processes and addressing competitive pressure. Informants claim the existence of “gaps in the company” were highly visible to the majority of stakeholders. What lacked clarity were the steps to be undertaken in order to fill in these gaps.

The new strategic objectives of HP were met with understanding and positive attitude throughout the organization. Both primary and secondary data shows employees agreed that a change was needed. While the general strategic objectives were communicated to employees, the company was in a stage of reflection on change and assessment of possibilities. Facilitators, catalysts and motivators were in place. Momentum was gained as a result of timely informing employees, while allowing them time for reflection.

This initial stage was not executed in complete accord with Lewin’s (1951) view of unfreezing attitudes. Initially, introducing the new organizational structure coincided with Lewin’s view.
Before introduction, arguments were advanced why the old structure was slowing down progress. It constituted a major quantum change and raised concern among some of the back end employees, who would lose contact with customers. Nevertheless, it got generally well accepted due to the proper identification of faulty processes taking place within the old structure. Rational explanation was given as to why the new organizational structure would bring mutual benefit. At this point resistance was low and subtle, predominantly grounded in behaviour (habits in patterns of working). Visible cognitive and emotional sources of resistance were not identified.

However, this successful approach (indicating negatives and then offering a change for the sake of improvement) was not followed with the new system for performance evaluation. Negative past practices did not get illuminated, neither explained. Tools for improving performance were not offered. Desired performance goals were not set before the actual evaluation of employees. While communication succeeded in creating a sense of urgency (employees realized and supported the need for change), no clear indication was made of unwanted practices before layoffs. This resulted in strong dissatisfaction and low morale, as no chance was given to employees to improve their performance before cutting costs. Lewin (ibid) highlights the need to view previous attitudes and practices through a negative lens. In this case, employees did not show understanding as to why they were disposed of. At this stage resistance grew to having a strong emotional source and previous enablers for motivation for change lost their former impact.

In the period prior to merging with Compaq, employees did not report effort from leadership to communicate information on the newly emerged strategic objectives. Previously set objectives (gaining competitiveness and cutting costs) continued to be in active mode, but the actions of senior management strongly conflicted with them. Employees often identified themselves as powerless change recipients rather than influential political actors during the Compaq merger. Despite this most of them proved to have been active within their peer group and some reported they talked to the media. When senior management realized the consequences of withholding information, it sought to repair the mistake. It began engaging in frequent talks, both formal and casual, and attempted offering an effective two-way communication forum (technical symposia, small meetings, speeches, “coffee talks”, video talks). An important aspect of this process was utilizing established communication methods from the original HP culture (management by walking around). Employees showed appreciation but considered the effort post factum after decisions were forced upon. Informants indicated a distinct misalignment between communicated vision and actions.

The concrete steps undertaken by management during implementation were met with resistance due to uncertainty and feelings of fear and anxiety. Employees retained a strong common identity.
and rendered support more to each other than to the change strategy. Informants' discourse is strongly grounded in a \textit{we→them} rhetoric, effectively polarizing \textit{change strategists} on one side, and \textit{change implementers} and \textit{recipients} on the other. This points at a significant gap in forming the \textit{guiding coalition} for change. Technically savvy informants saw change leadership as outside agents, lacking their language and operational skills.

The initial communication of strategic objectives indicated low profits and loss of market share to competitors as origins of change. During unfreezing current attitudes and moving to a new level this rationale behind strategy was consistently maintained. When the new strategy failed to deliver financially, senior management shifted criteria and moved the focus to unfavourable external forces. The inconsistency (in organizational criteria for success) interfered with \textit{refreezing the new attitudes}. Employees sensed a double standard in the applied criteria and many rendered the change effort ineffective. As per Kotter (1995) the stages of \textit{building on change} and \textit{institutionalizing new approaches} suffered as a result.

**RQ 3:** \textit{How can organizations undergoing strategic change have effective internal communication?}

As seen from the answer to RQ 2, employees have different needs at the different stages of strategic change. When strategy moves to another level and internal communication does not, resistance is to be expected. Thus, for organizations to foster motivation and active support for strategic change, communication needs to be planned and executed, according to a prognosis of employees' needs during the different steps of the process.

Consistency in leadership’s actions and words (both inside and outside the organization) needs to be strictly maintained. Employees strongly highlighted the actions of the CEO as a main motive to resist implementation. Senior management occupies a highly visible position and inconsistencies are easy to spot to the majority of employees. The role of management proved to be of utmost importance in an organization with strong culture like HP. Based on the accounts of employees; the figure of the leader has been especially influential. The study also found that the formal communication structures, controlled by the internal communication function have had less significance that the informal ones and the communication conducted by top management. This confirms Kotter's (1996) concern with the quality of leadership during major organizational change.

As seen from the way employees perceived the communicated change effort, a leading coalition is much needed. In the case of conflicting cultures (senior management and employees), it is
crucial to recruit an influential opinion leader from the old culture in order to truly understand long-term employees. A common language between change strategists and change implementers and recipients is a prerequisite to building effective communicative bridge between the two conflicting coalitions (formal and informal).

In terms of effectiveness of forum and media for internal communication during change, meetings in small groups were perceived as the best for explaining and reinforcing change. Large meetings, where two-communication suffered, were not preferred as they did not offer possibilities for actual dialogue. These impressions, shared by employees, endorse the idea that two monologues do not constitute a dialogue. If communication from both sides takes place on different platforms, it is unlikely knowledge and wisdom (Clutterbuck & Hirst, 2002) are reached.

Written communication like corporate magazine and newsletters were accepted as ineffective in driving change. Thus, they can be utilized for delivering data and information, but not knowledge, skills and wisdom (ibid). The case of HP confirmed the multiple assertions throughout theory that personal communication from direct managers/senior managers has highest potential to motivate and foster positive reactions to change. Thus, organizations can benefit from internal communication in change through developing leadership programs, targeting conversational learning and issue management.

Undoubtedly, changing employees’ patterns of acting (work as per Nadler & Tushman, 1997) is easier than changing their patterns of thinking (the informal sides of the organization). This is where internal communication can facilitate strategic change management most effectively.
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HP Executive Speeches (archive): http://www.hp.com/hpinfo/execteam/speeches/fiorina/

The Global IMC campaign “The Computer is Personal Again”: www.hp.com/personal

## APPENDICES

### 1. Internal measures and means of communication, Pickel (2008)

<table>
<thead>
<tr>
<th>Means</th>
<th>Time needed [Speed]</th>
<th>Complexity</th>
<th>Participants [Target group]</th>
<th>Preparation time needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone</td>
<td>varies [fast]</td>
<td>low</td>
<td>usually 2</td>
<td>none</td>
</tr>
<tr>
<td>Intranet</td>
<td>much [fast/instant information]</td>
<td>high, varies according to the subject</td>
<td>intranet team [relatively large, interdepartmental]</td>
<td>several months</td>
</tr>
<tr>
<td>Internal survey</td>
<td>medium amount [relatively slow]</td>
<td>low to medium</td>
<td>survey team [depending on scope]</td>
<td>several days</td>
</tr>
<tr>
<td>Intranet forums for staff</td>
<td>medium amount [quite fast]</td>
<td>low to medium (depending on subjects)</td>
<td>large [interdepartmental]</td>
<td>several days for installation</td>
</tr>
<tr>
<td>Personal communication</td>
<td>varies [fast]</td>
<td>low</td>
<td>1-to-1 communication</td>
<td>none</td>
</tr>
<tr>
<td>Integration website</td>
<td>much [fast]</td>
<td>low to high (very flexible in use)</td>
<td>website team [relatively large, interdepartmental]</td>
<td>several months</td>
</tr>
<tr>
<td>Push mails</td>
<td>little [fast]</td>
<td>low</td>
<td>1-2 [relatively large]</td>
<td>little</td>
</tr>
<tr>
<td>Notice board</td>
<td>little [very topical – low if updated]</td>
<td>low</td>
<td>1-2 [relatively large]</td>
<td>little</td>
</tr>
<tr>
<td>Telephone conference</td>
<td>little [fast]</td>
<td>low</td>
<td>host + xy [depending on departments involved]</td>
<td>little</td>
</tr>
<tr>
<td>Lectures and presentations</td>
<td>quite a lot [relatively slow]</td>
<td>relatively high</td>
<td>1-2 people [usually small]</td>
<td>medium (2-3 weeks)</td>
</tr>
<tr>
<td>Workshops</td>
<td>quite a lot [slow due to evaluation]</td>
<td>high</td>
<td>varying [up to several project teams]</td>
<td>relatively high</td>
</tr>
<tr>
<td>Fast information services (e.g. newsletter)</td>
<td>little [fast]</td>
<td>low</td>
<td>few [relatively large]</td>
<td>max. ½ day</td>
</tr>
</tbody>
</table>
2. HP Chronology:

1938: William Hewlett and David Packard, both graduates of the electrical engineering program at Stanford University, start their own business in the garage behind Packard’s rented house in Palo Alto, CA.

1939: Hewlett and Packard formalize their business into a partnership called Hewlett-Packard Co. (HP)


1957: HP stock is offered for public trading.

1962: HP makes Fortune magazine's list of the top 500 U.S. companies for the first time, entering at number 460.

1964: David Packard is elected chairman of the board and William Hewlett is elected president of the company. Revenue: $126 million. Employees: 7,092.

1966: HP forms Hewlett-Packard Laboratories, which becomes one of the world's leading electronics research centers.

1972: HP introduces the first scientific, hand-held calculator and also enters the business computer market with its minicomputer. In 2000, Forbes ASAP will name the calculator one of 20 "all time products" that have changed the world.

1977: John Young replaces Hewlett as president of HP, and also becomes CEO in 1978.


1982: Compaq Computer Corporation (which will merge with HP 20 years later) is formed in Houston, Texas. The company is started by three former Texas Instruments executives—Rod Canion, Jim Harris and Bill Murto. On November 4, Compaq introduces its first product, the first portable PC to run 100 percent compatible IBM software.

1985: HP introduces its LaserJet computer printer, which will become the company's most successful product ever.

1989: HP celebrates its 50th anniversary and is in the top 50 on Fortune 500 listing. HP Revenue: $11.9 billion. HP employees: 95,000.

1992: Lewis E. Platt succeeds John Young as president of HP.

1993: Compaq introduces its first all-in-one Compaq PC, the Presario family.


1996–1999: Complete changeover of HP senior vice presidents

1997: HP becomes one of the 30 stocks that comprise the Dow Jones Industrial Average.
1998: Compaq acquires Digital Equipment Corporation for $9.6 billion—at the time the largest acquisition in computer industry history.

1999: HP’s board of directors announces its decision to spin off a new company from the existing HP organization. Agilent Technologies consists of HP’s former measurement, components, chemical analysis and medical businesses. HP retains its computing, printing and imaging businesses. Agilent has its initial public offering of common stock on November 18, 1999. HP retains 84.1 percent of common stock. It is Silicon Valley’s largest-ever IPO.
In July, Lew Platt retires, and HP names Carleton (Carly) S. Fiorina as President and CEO.
In November, HP begins a new brand campaign based on a single concept: invent. Print and television ads focus on the company’s history of invention and innovation. The company also introduces a new logo.
Michael Capellas is named CEO of Compaq.

2001: In March, HP creates a new business organization, HP Services. The role of the new organization includes consulting, outsourcing, support, education and solutions deployment.
On September 4, HP and Compaq announce a merger agreement to create an $87 billion global technology leader. HP revenue: 45.2 billion. HP employees: 88,000.

2001: HP announces 6,000 jobs to be cut.

2001: Bill Hewlett dies.

2002: HP finally acquires Compaq after months of heated exchanges between company senior executives.

2003: First 15,000 job cuts achieved in combined company to produce desired cost savings.

2005: Ms Carly Fiorina removed from her post as a CEO.

3. Interview Guide

**INTRODUCTORY QUESTIONS**

What do/did you work at HP?
What department did you belong to?
What did you like most about your position at the company?
How would you assess your immediate peers?
For how long were you employed?
At what site were you employed?
To what an extent did you have direct contact with senior management?
What was the best about working there?
What makes HP different as a workplace from the rest?

**GENERAL ATTITUDES TO CHANGE**

Can you say you’re generally positive and open to change?
What is it about change you like?
What is it about change you don’t like?
How can you benefit personally when organization changes?

What were your tasks
- before the change program
- during the change program
- after it got implemented

**SPECIFIC QUESTIONS ON STRATEGIC CHANGE IN THE CONTEXT OF HP**

How would you describe the environment in which all communication took place?
Which were the people you would communicate the most with, their ranks, their positions in the company?
Informal groups you were aware of?
How was the management living up to the Garage rules?
What persuasive strategies were they using?
How were you trained with, involved and engaged in using these strategies towards your subordinates?
In your opinion, which department (part of the company) was most disadvantaged (ignored?) throughout the campaign?
What consequences did this have?
What kind of surveys have you undergone during the change process?
In your opinion, how well were they executed?
Did you participate in the Dynamic Leadership Program?
If yes, what did you learn about it?
What did you dislike about it?
What conflict groups would you identify at the time? (e.g. engineers vs project managers, vs )
What were the reasons behind this conflict in your opinion?
Which of the following would you say you have asked yourself throughout the change program?

- Will I still have a job?
- Will my subordinates still have a job?
- Will this still be the kind of company I want to work for?
- How will the change affect my status?
- How will my job content change?

Could you name three distinct feelings and three distinct thoughts of yours that dominated during the change process?
What was the biggest mistake of leadership during the change process?
Did you do something to address it?
To what an extent did you perceive yourself powerful to raise this issue in front of your direct manager?
To what an extent did you have access to senior management?
How well were they living up to the communicated strategic objectives?
COMPAQ MERGER

What was your opinion on the Compaq merger?
Did you have a way to express your opinion?
If yes, what communication forum did you use?
How was the merger executed in your opinion?
Which aspect of merging were well communicated?
Which ones were unclear?
Were they unclear to the rest of your team member as well?
How powerful did you feel to exert influence on different aspects of integrating the two companies?

COMMUNICATING STRATEGIC GOALS

What were the main strategic goals of the change as you perceived it?
How were they communicated?
How quickly must change take place?
How much uncertainty is there within the organisation?
Did you feel you had the power to influence the taken direction?

THE ROLE OF LEADERSHIP

Who decides on the necessary changes?
How directly is the leadership involved in the change process?
What level of employee involvement is required?
How strongly does the change affect the culture of the organisation?
What is the most important critical success factor?
Who was the most prominent change agent during the process?
What did leadership lack to make change happen more effectively?
Who was the best role model you had that championed the goals of the planned change?
TOOLS OF INTERNAL COMMUNICATION

How did you communicate with the members of your team?

What forum of communication would you prefer when an important issue is to be announced?

How about an everyday-related issue?

How often would you have formal meetings with your team?

How did you report to your immediate superior?

How often did you have to report?

How and where would you meet with your colleagues if no meetings were scheduled?

4. Profiles of interviewed employees

Interviews with employees A-E taken in July,

Interviews with employees F-O taken throughout September and October.

Employees A, B, K interviewed twice. Everyone else interviewed once.

Interviews taken through instant messaging and e-mail.

A. Software engineer – male, HQ (1999-2006)
C. Administrative staff (supporting function) – female, HQ (1977-2004)
F. Administrative staff – male, HQ (1982-2010)
H. Accounting and control – male, Alpharetta, GA (2004-now)
I. Project manager – male, Cupertino, CA (2004-now)
K. Engineer – male, HQ (1998-2001)
L. Quality manager – male, Cupertino, CA (1989-2001)
M. Engineer / Scientist – male, HQ (2000-2008)
N. Team leader, R&D – female, HQ (2003-now)
P. Engineer – male, Roseville, CA (2005-now)