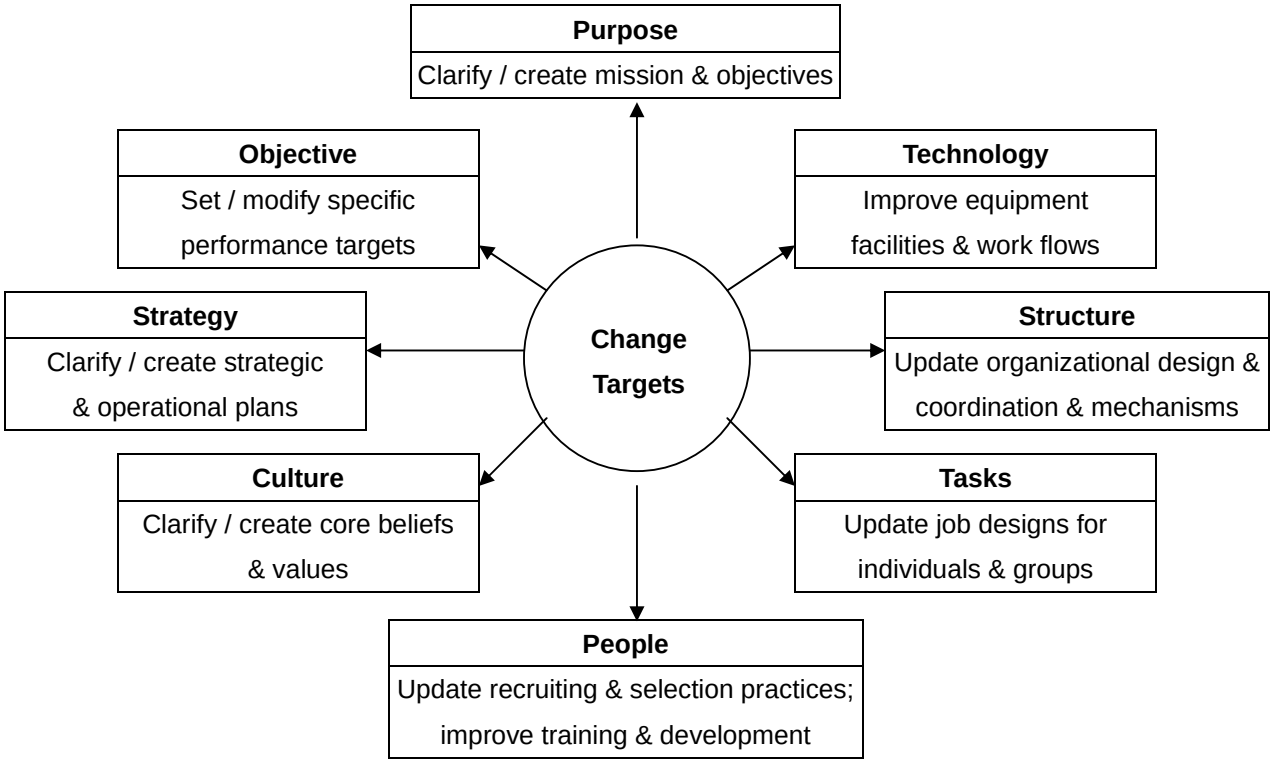
Chapter 14: Organizational Change

WHAT CAUSES CHANGE?

Forces for Change

Force		e.g.
Nature of Workplace	changing to reflect certain needs	More cultural diversity; Aging population; Many new entrants / inadequate skills
Technology		Faster, cheaper, more mobile computers; Online music sharing; Deciphering of human genetic code
Economic Shocks		Rise & fall of dot-come stocks; 2000-2002 stock market collapse; Record low interest rates
Competition	heightened competition: org's need to defend against traditional competitors & small firms w/ innovative offerings	Global competitors Mergers & consolidations Growth of e-commerce
Social Trends	constantly changing	Internet chat rooms; Retirement of Baby Boomers; Rise in discount & "big box" retailers
World Politics		Iraq-US war; Opening of markets in China; Hurricane disasters in US in September 2005

Organizational Targets for Change



Change Agents

= ppl who act as catalysts & assume responsibility for managing change activities

- can be managers/non-managers, employees, or outside consultants

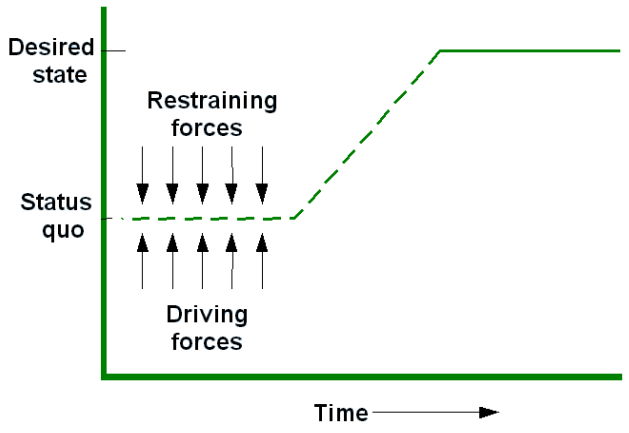
Outside Agents:

- offer objective perspective
- usually have inadequate understanding of org's history, culture, operating procedures, personnel
- may be prone to initiating more drastic changes b/c they don't have to live w/ consequences after change is implemented

Internal Agents:

- may be more thoughtful & cautious b/c they have to live w/ the consequences

APPROACHES TO MANAGING CHANGE

	Unfreezing →	**Moving** →	**Refreezing**
Lewin's Three-Step Change Model *(Kurt Lewin, 3 steps)*	Unfreezing status quo *change efforts to overcome pressures of both individual resistance & group conformity* - arouse dissatisf'n w/ current state - activate & strengthen top management support - use participation in decision making - build in rewards	Moving to a new state *efforts to get employees involved in the change process* - establish goals - institute smaller, acceptable changes that reinforce & support change - develop management structures for change - maintain open, 2-way communication	Refreezing new change to make it permanent *stabilizing a change intervention by balancing driving & restraining forces* - build success experiences - reward desired behaviour - develop structures to institutionalize the change - make change work
			**driving forces** = forces that direct behaviour away from status quo **restraining forces** = forces that hinder movement away from status quo status quo = equilibrium state

	- to move from status quo, inc. driving forces, dec. restraining forces, or combine two *use +ve incentives to encourage employees to accept change (inc. attractiveness of alternative) *(e.g. inc. pay for those who accept)* *unfreeze acceptance of status quo by removing restraining forces (reduce resistance *(e.g. counsel employees individually, concerns heard & clarified)* *** if resistance too high, use both - new situation must be refrozen so that it can be sustained over time → stabilize it by balancing driving & restraining forces - over time, norms will evolve to sustain the new equil'm; until that point, use more formal mechanisms		
<u>Kotter</u>'s Eight-Step Plan for Implementing Change *(John Kotter, 8 steps)*	- a more detailed approach than Three-Step Model Common failures that occur when managers try to initiate change: • *inability to create sense of urgency* about need for change • *failure to create coalition* for managing change process • *absence of vision for change* & to effectively communicate that vision • *not removing obstacles* that could impede achievement of vision • *failure to provide short-term & achievable goals* • *tendency to declare victory too soon* • *not anchoring changes in org's culture*		
	UNFREEZING	1	<u>Establish sense of urgency</u> by creating a compelling reason for why change is needed
		2	<u>Form a coalition</u> w/ enough power to lead the change
		3	<u>Create a new vision</u> to direct the change & strategies for achieving the vision
		4	<u>Communicate the vision</u> throughout the org
	MOVING	5	<u>Empower others to act</u> on the vision by removing barriers to change and encouraging risk-taking & creative problem-solving
		6	<u>Plan for, create, reward short-term "wins"</u> that move the org toward the new vision
		7	<u>Consolidate improvements</u>, reassess changes, make necessary adjustments in the new programs
	REFREEZING	8	<u>Reinforce the changes</u> by demonstrating the relationship btwn new behaviours & org. success

Action Research (5-step process)	*= a change process based on the systematic collection of data and then selection of a change action based on what the analyzed data indicate* - provides scientific method for managing planned change - Benefits: -problem-focused (change agent objectively looks for <u>problems</u>, which determine type of change action) **NOT solution-centred!* (☹) -resistance to change ↓ (action research heavily involves employees in the process)	
	1) Diagnosis	gather info about problems, concerns, needed changes from org's members by asking ques's, interviewing employees, reviewing records, listening to concerns of employees
	2) Analysis	synthesize info into primary concerns, problem areas, possible actions
	3) Feedback	- share w/ employees what has been found from steps 1 & 2 - employees develop action plans for bringing about any needed changes
	4) Action	carry out specific actions to correct problems identified
	5) Evaluation	compare & evaluate effectiveness of action plan & changes
Appreciative Inquiry (Four D's)	= approach to change that seeks to identify the unique qualities & special strengths of an org, which can then be built on to improve performance - focuses on the +ve & org's successes rather than on its problems 4 steps ("4 Ds") played out in large group over 2, 3 days:	
	Discovery	to find out what ppl think are the strengths of the org *e.g. ask employees to recount times they felt the org worked best, or when they felt most satisfied w/ their jobs*
	Dreaming	use info from Discovery phase to speculate on possible futures for the org *e.g. ppl are asked to envision the org in 5 yrs & describe what's different*
	Design	based on dream articulation, participants focus on finding a common vision of how the org will look & agree on its unique qualities
	Destiny	participants discuss how the org is going to fulfill its dream - writing action plans, develop implementation strategies

▌RESISTANCE TO CHANGE

- can be +ve b/c it provides degree of stability & predictability to behaviour (source of functional conflict)
- can also be –ve (hinders adaptation & progress)
- easiest to deal w/ when it's overt & immediate
- difficult to manage when implicit (more subtle, so difficult to recognize) & deferred (cloud the link btwn source of resistance & reaction to it, may stockpile & accumulate to explode some time later)

Individual Resistance

- perceptions, personalities, needs

5 sources:

- Habit: tendency in one's accustomed ways to resist when changing habits
- Security: change threatens feelings of safety for ppl w/ high need for security
- Economic factors: (esp. when pay is closely tied to productivity) ppl may be concerned that they won't be able to perform new tasks/routines to their previous standards
- Fear of the unknown: ambiguity & uncertainty
- Selective info processing: ppl hear what they want to hear, ignore info that challenges their world

Cynicism About Change

Sources:
- Feeling uninformed about what was happening
- Lack of comm'n & respect from manager
- Lack of comm'n & respect from union representative
- Lack of opportunity for meaningful participation in decision making

- -ve personalities → more likely to be cynical about change

Results: lower commitment, less satisf'n, reduced motivation to work hard

Organizational Resistance

6 major sources:

- Structural inertia
  org's have built-in mechanisms (selection processes, regulations) → when confronted w/ change, structural inertia acts as counterbalance to sustain stability
- Limited focus of change
  org's are made up of numerous interdependent subsystems, so one cannot be changed w/o affecting the others → limited changes in subsystems tend to be nullified by larger system
- Group inertia
  group norms may act as a constraint even if individuals want to change behaviour
- Threat to expertise
  changes in org patterns may threaten expertise of specialized groups
- Threat to established power relationships
  any redistribution of decision-making authority can threaten long-established power relationships
- Threat to established resource allocations
  groups that control sizable resources tend to be content w/ the way things are & see change as threat

Overcoming Resistance to Change: 6 Tactics *(John Kotter & Leonard Schlesinger)*

1. Education & communication
   ↓ reduce resistance thru communicating w/ employees to help them see the logic of a change
   (e.g. one-on-one discussions, memos, group presentations, reports)
2. Participation & involvement
   before making a change, bring those opposed into decision process; their involvement ↓ resistance, obtain commitment, ↑ quality of change decision
3. Facilitation & support
   offer supportive efforts to reduce resistance; provision of various efforts to facilitate adjustment
   (e.g. employee counseling & therapy, new-skills training, short paid leave of absence)
4. Negotiation & agreement
   exchange sth of value for a dec. in resistance
   e.g. if resistance is centred in a few powerful ppl, negotiate specific reward that'll meet their needs
5. Manipulation & co-optation
   twist & distort facts to make them appear more attractive, withhold info, create false rumours to get employees to accept a change
   *co-optation (form of both manipulation & participation) seeks to buy off leaders of a resistance group by giving them key role in the change decision
6. Explicit & implicit coercion
   application of direct threats/force upon resisters
   (e.g. threats of transfer, loss of promotions, -ve performance evaluations, poor letter of recommendation)
   e.g. corporate mngmnt determined to close manufacturing plant if employees don't agree to pay cut

Strategies for Overcoming Resistance to Change

APPROACH	COMMONLY USED IN SITUATIONS	ADVANTAGES	DRAWBACKS
Education + Communication	where there is a lack of info / inaccurate info & analysis	once persuaded, ppl will often help w/ implementation of change	very time-consuming if lots of ppl are involved
Participation + Involvement	where initiators lack info to design the change, & where others have considerable power to resist	participants will be committed to implementing change, & any relevant info they have will be integrated into the change plan	very time-consuming if participators design an inappropriate change
Facilitation + Support	where ppl are resisting b/c of adjustment problems	no other approach works as well w/ adjustment problems	can be time-consuming, expensive, but still fail
Negotiation + Agreement	where some one/group will clearly lose out in a change, & that group has considerable power to resist	sometimes a relatively easy way to avoid major resistance	too expensive in many cases if it alerts others to negotiate for compliance
Manipulation + Co-optation	where other tactics won't work, or are too expensive	relatively quick, inexpensive solution	lead to future problems if ppl feel manipulated
Explicit + Implicit Coercion	where speed is essential, & change initiators have considerable power	speedy & can overcome any kind of resistance	risky if it leaves ppl mad at initiators

Politics of Change

- push for change more likely to come from new employees to org (have less invested in status quo) or managers who are slightly removed from main power structure

Long-time power holders:

- change is a threat to those who have spent long time within the org & achieved senior position, though they may still implement changes to demonstrate they're not merely caretakers
- tend to implement **first-order change** (*change that's linear & continuous*)
  *radical change is too threatening
- therefore, boards of directors often look for leadership from outside to implement **second-order change** (*change that's multi-dimensional, multi-level, discontinuous, radical*)

CONTEMPORARY CHANGE ISSUES FOR TODAY'S MANAGERS

Technology in the Workplace

Continuous Improvement Processes

- search for continuous improvement that recognizes good isn't good enough & that even excellent performance can/should be improved on
- quality management seeks to preserve customer satisfc'n by continually improving all org. processes
  *reduce variability in outcomes & performance
  (variability ↓ → uniformity ↑ → costs ↓ & quality ↑)
- employees can no longer rest on previous accomplishments & successes → work climate no longer accepts complacency w/ status quo → more stress & anxiety
  *But tension may be +ve for org (functional conflict)

Process Re-engineering

- management start over, rethink & redesign processes by which the org creates value & does work, get rid of old-fashioned operations

1. *Identify org's* ***distinctive competencies*** (*what an org delivers better than its competition*)
   - guides decisions regarding what activities are crucial to org's success
   e.g. store location, more efficient distribution system, better sales personnel
2. *Assess core processes* (transform materials, capital, info, labour into products & services that customers value)
   - when org is viewed as a series of processes (strategic planning → after-sales customer support), management determines to what degree each adds value
   → uncovers unnecessary, invaluable activities
3. *Re-organize horizontally by process*
   - use cross-functional & self-managed teams (focus on processes, NOT functions)
   - cut out unnecessary levels of middle management)

Result: - downsizing (esp. middle managers lost jobs)
- jobs no longer same (wider range of skills, greater challenge, inc. responsibilities, higher pay)
- 3- to 5-yr period for implementation usually tough for employees (uncertainty + anxiety w/ new tasks + have to discard old work practices & social networks)

Stimulating Innovation

innovation = new idea applied to initiating / improving a product, process, or service
- all innovations involve change (BUT not all changes involve innovation)
- include new production process tech, new structures / admin systems, new plans/programs for org member

Sources of Innovation

STRUCTURAL VARIABLES → potential source

- *Organic structures +vely influence innovation*
  fewer vertical levels, lower formalization, lower centralization
  → flexibility, adaptation, cross-fertilization → easier to adopt innovation
- *Long tenure in management is associated w/ innovation*
  managerial tenure (appointment) provides legitimacy & knowledge of how to accomplish tasks & obtain desired outcomes
- *Innovation is nurtured when there are slack resources*
  abundance of resources → org can afford to purchase innovations + bear costs of instituting innovations + absorb failures
- *Inter-unit communication is high in innovative org's*
  innovative org's frequently use committees, task forces, cross-functional teams & other mechanisms (that facilitate interaction across departmental lines)

Innovative org's tend to have similar CULTURES
- encourage experimentation
- reward both successes & failures; celebrate mistakes; reward for presence of successes
  *should NOT reward ppl for absence of failures ☹ b/c it ↓ risk-taking & innovation

HUMAN RESOURCE
- innovative org's actively promotes training & development of members (to keep current, offer high job security, encourage to become champions of change)

idea champions = ppl who actively & enthusiastically promote an idea, build support for it, overcome resistance to it, ensure that innovation is implemented
- extremely high self-confidence, persistence, energy, risk-taking
- transformational leadership (inspire, energize others w/ their vision of the potential of an innovation & thru strong personal conviction in their mission)

- good at gaining commitment of others to support mission
- have jobs that provide decision-making discretion (autonomy helps them introduce / implement innovations)

Creating a Learning Organization

learning organization = org that has developed the continuous capacity to adapt and change

5 Characteristics:

1) Org has a shared vision that everyone agrees on
2) Ppl discard their old ways of thinking & standard routines they use for solving problems or doing their jobs
3) Members think of all org. processes, activities, functions, interactions w/ the environment as part of a system of inter-relationships
4) Ppl openly communicate w/ each other (across vertical & horizontal boundaries) w/o fear of criticism/punishment
5) Ppl suppress personal self-interest & fragmented departmental interests to work together to achieve the org's shared vision

Types of learning used by org:

single-loop learning = errors are corrected using past routines & present policies

double-loop learning = errors are corrected by modifying org's objectives, policies & standard routines

- challenges deeply rooted assumptions & norms within an org
- provides opportunities for radically diff. solutions & dramatic jumps in improvement

Managing Learning

How to make learning happen?

- Establish a strategy
  managers need to make their commitment to change, innovation, & cont. improvement explicit
- Redesign org's structure
  formal structure
  → impediment to learning; so flatten structure, eliminate/combine departments, inc. use of cross-functional teams
    → reinforce inter-dependence + reduce boundaries btwn ppl
- Reshape org's culture
  managers set the tone for org's culture by *what they say* (strategy) & *what they do* (behaviour), so:
  → demonstrate that taking risks & admitting failures are desirable (reward ppl who take chances & make mistakes)
  → encourage functional conflict

Managing Change: It's Culture-Bound

- *Do people believe **change** is **possible**?*
  -cultures vary in terms of beliefs about their ability to control environment
  *if ppl believe they can dominate environment *(US, Canada)* → take proactive view of change
  *see self as subjugated to environment *(Iran, Saudi Arabia)* → passive approach toward change

- *If change is possible, **how long** will it take to bring it about?*
  -culture's time orientation
  *societies that focus on long term *(Japan)* → considerable patience while waiting for +ve outcomes from change efforts
  *societies w/ short-term focus *(US, Canada)* → ppl expect quick improvements & seek change programs that promise fast results

- *Is resistance to change **greater in some cultures** than in others?*
  -society's reliance on tradition
  *if focus on past *(Italy)* → more resistant to change
  *emphasize present *(US)* → less resistant

- *Does culture influence **how** change efforts will be **implemented**?*
  -power distance
  *high power distance *(Spain, Thailand)* → change efforts tend to be autocratically implemented by top management
  *low power distance *(Denmark, Netherlands)* → democratic methods (greater participation)

- *Do successful **idea champions** do things differently in diff. cultures?*
  Yes!

  *collectivist culture → prefer cross-functional support for innovation
  *high power distance → prefer champions to work closely w/ those in authority to approve innovative activities before work is conducted on them
  *high uncertainty avoidance → more champions work within org's rules & procedures *(Austria, Denmark, Germany)* **in contrast to *Russia*