Day 1
INTRODUCTION
Introduction to Organizational Change
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Resistance to Change

Managing Organizational Change

The Message Is Clear - Change Or Disappear

“There’s no off season anymore” - Nolan Ryan

“You miss 100% of the shots you never take” - Wayne Gretsky

“Somebody has to do something, and its just incredibly pathetic that it has to be us.” - Jerry Garcia, the Grateful Dead

CHANGE - AN ONGOING PROCESS
Companies no longer have a choice, they must change to survive. Unfortunately, people tend to resist change. It is not easy to change an organization, let alone an individual. This puts increased pressure on management to learn the subtleties of change. This final chapter was written to help managers navigate the journey of change.

FORCES OF CHANGE
• How do organizations know when they should change?
• What cues should an organization look for?

Organizations encounter many different forces for change. These forces come from external sources outside the organization and from internal sources. This section examines the forces that create the need for change. Awareness of these forces can help managers determine when they should consider implementing an organizational change.

EXTERNAL FORCES
External forces for change originate outside the organization. Because these forces have global effects, they may cause an organization to question the essence of what business it is in and the process by which products and services are produced. There are four key external forces for change: demographic characteristics, technological advancements, market changes, and social and political pressures. Each is now discussed.
1. **Demographic Characteristics**
   (1) the workforce is more diverse and
   (2) there is a business imperative to effectively manage diversity.

Organizations need to effectively manage diversity if they are to receive maximum contribution and commitment from employees.

2. **Technological Advancements**
   Both manufacturing and service organizations are increasingly using technology as a means to improve productivity and market competitiveness. Manufacturing companies, for instance, have automated their operations with robotics, computerized numerical control (CNC), which is used for metal cutting operations, and computer-aided design (CAD). CAD is a computerized process of drafting and designing engineering drawings of products. Companies have just begun to work on computer-integrated manufacturing (CIM). This highly technical process attempts to integrate product design with product planning, control, and operations. In contrast to these manufacturing technologies, the service sector of the US economy is using office automation. Office automation consists of a host of computerized technologies that are used to obtain, store, analyze, retrieve, and communicate information.

   “The factory of the future will have only two employees, a man and a dog. The man will be there to feed the dog. The dog will be there to keep the man from touching the equipment.” Warren Bennis

3. **Market Changes**
   The emergence of a global economy is forcing US companies to change the way they do business. Companies are having to forge new partnerships with their suppliers in order to deliver higher quality products at lower prices. Consider how Thomas Stalkamp, Chrysler Corporation's vice president of purchasing, uses a win-win approach to lower suppliers’ costs:

4. **Social and Political Pressures**
   These forces are created by social and political events. Managers thus may need to adjust their managerial style or approach to fit changing employee values. Political events can create substantial change. For example, the collapse of both the Berlin Wall and communism in Russia created many new business opportunities. Although it is difficult for organizations to predict changes in political forces, many organizations hire lobbyists and consultants to help them detect and respond to social and political changes.

**INTERNAL FORCES**
Internal forces for change come from inside the organization. These forces may be subtle, such as low morale, or can manifest in outward signs, such as low productivity and conflict. Internal forces for change come from both human resource problems and managerial behavior/decisions.

1. **Human Resource Problems/Prospects**
These problems stem from employee perceptions about how they are treated at work and the match between individual and organization needs and desires. Dissatisfaction is a symptom of an underlying employee problem that should be addressed. Unusual or high levels of absenteeism and turnover also represent forces for change. Organizations might respond to these problems by using the various approaches to job design, by implementing realistic job previews, by reducing employees' role conflict, overload, and ambiguity, and by removing the different stressors. Prospects for positive change stem from employee participation and suggestions.

2. Managerial Behavior/Decisions
   Excessive interpersonal conflict between managers and their subordinates is a sign that change is needed. Both the manager and the employee may need interpersonal skills training, or the two individuals may simply need to be separated. For example, one of the parties might be transferred to a new department. Inappropriate leader behaviors such as inadequate direction or support may result in human resource problems requiring change. Leadership training is one potential solution for this problem. Inequitable reward systems are additional forces for change.

EXERCISE - FORCE FIELD ANALYSIS
MODELS AND DYNAMICS OF PLANNED CHANGE

American managers are criticized for emphasizing short-term, quick-fix solutions to organizational problems. When applied to organizational change, this approach is doomed from the start. Quick-fix solutions do not really solve underlying problems and they have little staying power. Researchers and managers alike have thus tried to identify effective ways to manage the change process. This section sheds light on their insights. After discussing different types of organizational changes, we review Lewin's change model, a systems model of change, and organization development.

Lewin's Change Model

Most theories of organizational change originated from the landmark work of social psychologist Kurt Lewin. Lewin developed a three-stage model of planned change which explained how to initiate, manage, and stabilize the change process. The three stages are unfreezing, changing, and refreezing. Before reviewing each stage, it is important to highlight the assumptions that underlie this model:

1. The change process involves learning something new, as well as discontinuing current attitudes, behaviors, or organizational practices.
2. Change will not occur unless there is motivation to change. This is often the most difficult part of the change process.
3. People are the hub of all organizational changes. Any change, whether in terms of structure, group process, reward systems, or job design, requires individuals to change.
4. Resistance to change is found even when the goals of change are highly desirable.
5. Effective change requires reinforcing new behaviors, attitudes, and organizational practices.

Let us now consider the three stages of change.

Unfreezing

The focus of this stage is to create the motivation to change. In so doing, individuals are encouraged to replace old behaviors and attitudes with those desired by management. Managers can begin the unfreezing process by disconfirming the useflessness or appropriateness of employees' present behaviors or attitudes.

Changing

Because change involves learning, this stage entails providing employees with new information, new behavioral models, or new ways of looking at things. The purpose is to help employees learn new concepts or points of view. Role models, mentors, experts, benchmarking the company against world-class organizations, and training are useful mechanisms to facilitate change.

Refreezing

Change is stabilized during refreezing by helping employees integrate the changed behavior or attitude into their normal way of doing things. This is accomplished by first giving employees the chance to exhibit the new behaviors or attitudes. Once exhibited,
positive reinforcement is used to reinforce the desired. Additional coaching and modeling also are used at this point to reinforce the stability of the change.
Resistance to Change

Individual Sources of Resistance
- Fear of the Unknown
- Self-Interest
- Habit
- Personality Conflicts
- Differing Perceptions
- General Mistrust
- Social Disruptions

Organizational Sources of Resistance
- Structural Inertia
- Bureaucratic Inertia
- Group Norms
- A Resistant Organizational Culture
- Threatened Power
- Threatened Expertise
- Threatened Resource Allocation

UNDERSTANDING AND MANAGING RESISTANCE TO CHANGE

We are all creatures of habit. It generally is difficult for people to try new ways of doing things. It is precisely because of this basic human characteristic that most employees do not have enthusiasm for change in the workplace. Rare is the manager who does not have several stories about carefully cultivated changes that died on the vine because of resistance to change. It is important for managers to learn to manage resistance because failed change efforts are costly. Costs include decreased employee loyalty, lowered probability of achieving corporate goals, a waste of money and resources, and difficulty in fixing the failed change effort. This section examines employee resistance to change, relevant research, and practical ways of dealing with the problem.

Why People Resist Change in the Workplace
1. An individual's predisposition toward change.
2. Surprise and fear of the unknown.
3. Climate of mistrust.
5. Loss of status and/or job security.
6. Peer pressure.
7. Disruption of cultural traditions and/or group relationships.

8. Personality conflicts.

9. Lack of tact and/or poor timing.

10. Nonreinforcing reward systems.

RESEARCH ON RESISTANCE TO CHANGE

The classic study of resistance to change was reported in 1948 by Lester Coch and John R P French. They observed the introduction of a new work procedure in a garment factory. The change was introduced in three different ways to separate groups of workers. In the "no participation" group, the garment makers were simply told about the new procedure. Members of a second group, called the "representative" group, were introduced to the change by a trained co-worker. Employees in the "total participation" group learned of the new work procedure through a graphic presentation of its cost-saving potential. Mixed results were recorded for the representative group. The no participation and total participation groups, meanwhile, went in opposite directions. Output dropped sharply for the no participation group, while grievances and turnover climbed. After a small dip in performance, the total participation group achieved record-high output levels while experiencing no turnover. Since the Coch and French study, participation has been the recommended approach for overcoming resistance to change.

Empirical research uncovered three additional personal characteristics related to resistance to change. A study of 284 nonmanagerial office personnel (43 percent male) showed that hands-on experience with computers, whether through training or on-the-job practice, fostered more positive attitudes toward working with computers. Finally, high self-efficacy and an internal locus of control were negatively associated with resistance to change.
OVERCOMING RESISTANCE TO CHANGE
Before recommending specific approaches to overcome resistance, there are three key conclusions that should be kept in mind.

First, an organization must be ready for change. Just as a table must be set before you can eat, so must an organization be ready for change before it can be effective. Use the survey to evaluate a company that you worked for or are familiar with that undertook a change effort.

### Assessing an Organization's Readiness for Change
Instructions: Circle the number that best represents your opinions about the company being evaluated.

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>Somewhat</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is the change effort being sponsored by a senior-level executive (CEO, COO)?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2. Are all levels of management committed to the change?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3. Does the organization culture encourage risk taking?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>4. Does the organization culture encourage and reward continuous improvement?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>5. Has senior management clearly articulated the need for change?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>6. Has senior management presented a clear vision of a positive future?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>7. Does the organization use specific measures to assess business performance?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>8. Does the change effort support other major activities going on in the organization?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>9. Has the organization benchmarked itself against world-class companies?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>10. Do all employees understand the customers' needs?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>11. Does the organization reward individuals and/or teams for being innovative and for looking for root causes of organizational problems?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>12. Is the organization flexible and cooperative?</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>13. Does management effectively communicate with all levels of the organization.</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
14. Has the organization successfully implemented other change programs?
   3  2  1

15. Do employees take personal responsibility for their behavior?
   3  2  1

16. Does the organization make decisions quickly?
   3  2  1

Total Score: ———

Source: Based on the discussion contained in T.A. Stewart, "Rate your readiness to change," Fortune, February 7, 1994, pp. 106-10.

(Arbitrary norms are as follows: 48-40 = High readiness for change; 39-24 = Moderate readiness for change; and 23-16 = Low readiness for change.) What was the company's readiness for change, and how did this evaluation relate to the success of the change effort?

Second, organizational change is less successful when top management fails to keep employees informed about the process of change.

Third, employees' perceptions or interpretations of a change significantly affect resistance. Employees are less likely to resist when they perceive that the benefits of a change overshadow the personal costs. At a minimum then, managers are advised to (1) provide as much information as possible to employees about the change, (2) inform employees about the reasons/rationale for the change, (3) conduct meetings to address employees' questions regarding the change, and (4) provide employees the opportunity to discuss how the proposed change might affect them.

Exercise - An Ancient Tale

ORGANIZATION DEVELOPMENT

Organization development (OD) is an applied field of study and practice. A pair of OD experts defined organization development as follows:
Organization development is concerned with helping managers plan change in organizing and managing people that will develop requisite commitment, coordination, and competence. Its purpose is to enhance both the effectiveness of organizations and the well-being of their members through planned interventions in the organization's human processes, structures, and systems, using knowledge of behavioral science and its intervention methods. As you can see from this definition, OD provides managers with the tools needed to manage organizational change.

In this section, we briefly review the four identifying characteristics of OD and its
research and practical implications.

**OD Involves Profound Change**

Change agents using OD generally desire deep and long-lasting improvement. OD consultant Warner Burke, for example, who strives for fundamental cultural change, wrote: "By fundamental change, as opposed to fixing a problem or improving a procedure, I mean that some significant aspect of an organization's culture will never be the same."

**OD is Value-Loaded**

Owing to the fact that OD is rooted partially in humanistic psychology, many OD consultants carry certain values or biases into the client organization. They prefer cooperation over conflict, self-control over institutional control, and democratic and participative management over autocratic management.

**OD Is a Diagnosis/Prescription Cycle**

OD theorists and practitioners have long adhered to a medical model of organization. Like medical doctors, internal and external OD consultants approach the "sick" organization, "diagnose" its ills, "prescribe" and implement an intervention, and "monitor" progress.

**OD Is Process-Oriented**

Ideally, OD consultants focus on the form and not the content of behavioral and administrative dealings. For example, product design engineers and market researchers might be coached on how to communicate more effectively with one another without the consultant knowing the technical details of their conversations. In addition to communication, OD specialists focus on other processes, including problem solving, decision making, conflict handling, trust, power sharing, and career development.

**OD Research and Practical Implications**

OD-related interventions produced the following insights:

- A recent meta-analysis of 18 studies indicated that employee satisfaction with change was higher when top management was highly committed to the change effort.
- A recent meta-analysis of 52 studies provided support for the systems model of organizational change. Specifically, varying one target element of change created changes in other target elements. Also, there was a positive relationship between individual behavior change and organizational-level change.
- A meta-analysis of 126 studies demonstrated that multifaceted interventions using more than one OD technique were more effective in changing job attitudes and work attitudes than interventions that relied on only one human-process or technostructural approach.