Organizational Change

- What are the forces for change?
- How do organizations manage change?
- Why do people and organizations resist change?
- What are some of the contemporary issues in managing change?
## Forces for Change

<table>
<thead>
<tr>
<th>Force</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of the work force</td>
<td>• More cultural diversity</td>
</tr>
<tr>
<td></td>
<td>• Aging population</td>
</tr>
<tr>
<td></td>
<td>• Many new entrants with inadequate skills</td>
</tr>
<tr>
<td>Technology</td>
<td>• Faster, cheaper, and more mobile computers</td>
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<tr>
<td></td>
<td>• Online music sharing</td>
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<td></td>
<td>• Deciphering of the human genetic code</td>
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<tr>
<td>Economic shocks</td>
<td>• Rise and fall of dot-com stocks</td>
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<td></td>
<td>• 2000–02 stock market collapse</td>
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<td>• Record low interest rates</td>
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# Forces for Change

<table>
<thead>
<tr>
<th>Force</th>
<th>Examples</th>
</tr>
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<tbody>
<tr>
<td>Competition</td>
<td>• Global competitors</td>
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<tr>
<td></td>
<td>• Mergers and consolidations</td>
</tr>
<tr>
<td></td>
<td>• Growth of e-commerce</td>
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<tr>
<td>Social trends</td>
<td>• Internet chat rooms</td>
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<tr>
<td></td>
<td>• Retirement of Baby Boomers</td>
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<td></td>
<td>• Rise in discount and “big box” retailers</td>
</tr>
<tr>
<td>World politics</td>
<td>• Iraq–U.S. war</td>
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<td></td>
<td>• Opening of markets in China</td>
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<td></td>
<td>• Tsunamis and Earthquakes worldwide</td>
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</tbody>
</table>
Organizational Targets for Change

- Purpose
- Technology
- Structure
- Tasks

- People
- Culture
- Strategy
- Objective
Exhibit 14-2 Organizational Targets for Change

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Clarify or create mission and objectives</td>
</tr>
<tr>
<td>Objective</td>
<td>Set or modify specific performance targets</td>
</tr>
<tr>
<td>Strategy</td>
<td>Clarify or create strategic and operational plans</td>
</tr>
<tr>
<td>Culture</td>
<td>Clarify or create core beliefs and values</td>
</tr>
<tr>
<td>Technology</td>
<td>Improve equipment facilities, and work flows</td>
</tr>
<tr>
<td>Structure</td>
<td>Update organizational design and coordination mechanisms</td>
</tr>
<tr>
<td>Tasks</td>
<td>Update job designs for individuals and groups</td>
</tr>
<tr>
<td>People</td>
<td>Update recruiting and selection practices; improve training and development</td>
</tr>
</tbody>
</table>

Change Agents

- People who act as catalysts and assume the responsibility for managing change activities.
  - Managers or non managers
  - Employees of the organization
  - Outside consultants
Change Agents

**Outside agents**
- Can offer an objective perspective.
- Usually have an inadequate understanding of the organization’s history, culture, operating procedures, and personnel.
- Don’t have to live with the repercussions after the change is implemented.

**Internal agents**
- Have to live with the consequences of their actions.
- May be more thoughtful.
- May be more cautious.
Approaches To Managing Change

• Lewin’s Three-Step Model

• Kotter’s Eight-Step Plan for Implementing Change

• Action Research

• Appreciative Inquiry
Lewin’s Three-Step Model For Implementing Change

- **Unfreezing**
  - Change efforts to overcome the pressures of both individual resistance and group conformity.

- **Moving**
  - Efforts to get employees involved in the change process.

- **Refreezing**
  - Stabilizing a change intervention by balancing driving and restraining forces.
Exhibit 14-4
Unfreezing the Status Quo

Desired state

Restrainting forces

Status quo

Driving forces

Time
Unfreezing

• Arouse dissatisfaction with the current state.

• Activate and strengthen top management support.

• Use participation in decision making.

• Build in rewards.
Moving

• Establish goals.
• Institute smaller, acceptable changes that reinforce and support change.
• Develop management structures for change.
• Maintain open, two-way communication.
Refreezing

- Build success experiences
- Reward desired behaviour
- Develop structures to institutionalize the change
- Make change work
Kotter: Common Failures in Initiating Change

- The inability to create a sense of urgency.
- Failure to create a coalition.
- The absence of a vision for change.
- Not removing obstacles.
- Failure to provide short-term and achievable goals.
- The tendency to declare victory too soon.
- Not anchoring the changes in the organization’s culture.
Exhibit 14-5 Kotter’s Eight-Step Plan for Implementing Change

1. Establish a sense of urgency.
2. Form a coalition.
3. Create a new vision.
4. Communicate the vision.
5. Empower others to act.
6. Develop short-term “wins.”
7. Consolidate improvements.
8. Reinforce changes.

Action Research

• A change process based on the systematic collection of data and then selection of a change action based on what the analyzed data indicate.

• The Process of Action Research
  – Diagnosis
  – Analysis
  – Feedback
  – Action
  – Evaluation
Appreciative Inquiry

- An approach to change that seeks to identify the unique qualities and special strengths of an organization, which can then be built on to improve performance.

- Steps of Appreciative Inquiry: the “Four D’s”
  - Discovery
  - Dreaming
  - Design
  - Destiny
Exhibit 14-6 The “Four D’s” of Appreciative Inquiry

EXHIBIT 14-6 The “Four D’s” of Appreciative Inquiry

Discovery
Finding out the “best of what is”

Dreaming
Visualizing “what might be”

Design
Designing “what should be”

Destiny
Implementing “what will be”


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EXHIBIT 14-7 Sources of Individual Resistance to Change

Cynicism About Change

- Feeling uninformed about what was happening.
- Lack of communication and respect from one’s supervisor.
- Lack of communication and respect from one’s union representative.
- Lack of opportunity for meaningful participation in decision-making.
Exhibit 14-9 Sources of Organizational Resistance to Change

- Threat to established resource allocations
- Structural inertia
- Threat to established power relationships
- Limited focus of change
- Threat to expertise
- Group inertia
Overcoming Resistance to Change

• **Education and communication**
  – This tactic assumes that the source of resistance lies in misinformation or poor communication.
  – Best used: Lack of information, or inaccurate information

• **Participation and involvement**
  – Prior to making a change, those opposed can be brought into the decision process.
  – Best used: Where initiators lack information, and others have power to resist

• **Facilitation and support**
  – The provision of various efforts to facilitate adjustment.
  – Best used: Where people resist because of adjustment problems
Overcoming Resistance to Change

- **Negotiation and agreement**
  - Exchange something of value for a lessening of resistance.
  - Best used: Where one group will lose, and has considerable power to resist

- **Manipulation and co-optation**
  - Twisting and distorting facts to make them appear more attractive.
  - Best used: Where other tactics won’t work or are too expensive

- **Explicit and implicit coercion**
  - The application of direct threats or force upon resisters.
  - Best used: Speed is essential, and initiators have power
Contemporary Change Issues for Today’s Managers

- Technology in the Workplace
- Stimulating Innovation
- Creating a Learning Organization
- Managing Change: It’s Culture-Bound
Technology in the Workplace

• **Continuous Improvement**
  - A search for continuous improvement that recognizes good isn’t good enough and that even excellent performance can, and should, be improved on.

• **Process Engineering**
  - Distinctive competencies: What an organization delivers better than its competition.

• **Elements of carrying out re-engineering**
  - Identifying an organization’s distinctive competencies.
  - Assessing core processes.
  - Reorganizing horizontally by process.
Stimulating Innovation

- **Innovation**
  - A new idea applied to initiating or improving a product, process, or service.

- **Sources of Innovation**
  - Structural variables
  - Cultures
  - Human resource
Creating a Learning Organization

- An organization that has developed the continuous capacity to adapt and change.
  
  - **Single-loop learning**
    - Errors are corrected using past routines and present policies.
  
  - **Double-loop learning**
    - Errors are corrected by modifying the organization’s objectives, policies, and standard routines.
Managing Learning

- Establish a strategy.
- Redesign the organization’s structure.
- Reshape the organization’s culture.
Exhibit 14-10 Characteristics of a Learning Organization

- The organization has a shared vision.
- People discard old ways of thinking and standard routines.
- Members think of all organizational processes as part of a system of interrelationships.
- People openly communicate with each other without fear of criticism or punishment.
- People sublimate own interests and work together to achieve the organization’s shared vision.

*Source: Based on P. M. Senge, *The Fifth Discipline* (New York: Doubleday, 1990).*
Managing Change: It’s Culture-Bound

• Do people believe change is possible?
• If change is possible, how long will it take to bring it about?
• Is resistance to change greater in some cultures than in others?
• Does culture influence how change efforts will be implemented?
• Do successful idea champions do things differently in different cultures?
1. **What are the forces for change?**
   - The nature of the workforce, technology, economic shocks, competition, social trends, and world politics are all forces of change.

2. **How do organizations manage change?**
   - Kurt Lewin argued that successful change should follow three steps: unfreezing, moving, and refreezing. John Kotter built on Lewin’s work to offer an eight step model. Two other theories include action research and appreciative inquiry.

3. **Why do people and organizations resist change?**
   - Individual resist change because of basic human characteristics such as perceptions, personalities, and needs. Organizations resist change because they are conservative and because change is difficult.

4. **What are some of the contemporary issues in managing change?**
   - Some of the contemporary issues include helping employees deal with technological change, making organizations more innovative, creating learning organizations, and understanding the influence of culture on managing change.
OB at Work
For Review

1. “Resistance to change is an irrational response.” Do you agree or disagree? Explain.
2. Why is participation considered such an effective technique for lessening resistance to change?
3. How does Lewin’s three-step model of change deal with resistance to change?
4. What is the difference between driving forces and restraining forces?
5. What are the factors that lead individuals to resist change?
6. What are the factors that lead organizations to resist change?

7. Why does change so frequently become a political issue in organizations?

8. How does Kotter’s eight-step plan for implementing change deal with resistance to change?

9. What are the implications for employees of a continuous improvement process?

10. In an organization that has a history of “following the leader,” what changes can be made to foster innovation?
For Critical Thinking

1. How have changes in the workforce during the past 20 years affected organizational policies?
2. “Managing today is easier than at the start of the 20th century because the years of real change took place between Confederation and World War I.” Do you agree or disagree? Discuss.
3. What is meant by the phrase “We live in an age of discontinuity”?
4. Are all managers change agents?
Breakout Group Exercises

• Form small groups to discuss the following:

1. Identify a local company that you think needs to undergo change. What factors suggest that change is necessary?

2. Have you ever tried to change the behaviour of someone you worked with (for instance, someone in one of your project groups)? How effective were you in getting change to occur? How would you explain this?

3. Identify a recent change that your college or university introduced, and its effects on the students. Did the students accept the change or fight it? How would you explain this?
Concepts to Skills: Carrying Out Organizational Change

- Build an intricate understanding of the business.
- Encourage uncompromising straight talk.
- Manage from the future.
- Harness setbacks.
- Promote inventive accountability.
- Understand the quid pro quo.
- Create relentless discomfort with the status quo.