

CHAPTER 14 - ORGANIZATION CHANGE**OBJECTIVES**

This chapter attempts to make students realize that organizations are more or less in a continuous process of change. It attempts to make them aware of the sources of this change: environmental changes, organizational growth, ineffectiveness, changes in ownership, and other factors. The chapter also aims at providing the student with a basic understanding of change through an introduction to Lewin's model of adaptation. Our objective is to facilitate a greater understanding of the factors associated with successful change no matter at what level the change is directed- the individual, the organizational unit, or the entire organization itself. We also incorporate a stage process such that each stage is a prerequisite for success of the change effort and success in all change stages is important. Hopefully the student will realize after reading this chapter that change at any level is actually quite difficult to achieve and that is why a great deal of planning is required in order to achieve a successful change.

Another objective is to improve the student's understanding of the psychological responses individuals may have in coping with change. They should also understand different leader responses to helping individuals cope with change.

The major change methods used by organizations currently and in recent years are explored. Students should be made aware of the unique focus of each of these methods and some of the difficulties in making these change methods work. They will realize that each type of change presents its own unique types of problems and therefore requires tailored change methods. Hopefully the students will understand that much of the efforts to change individuals, units, and organizations are either unsuccessful or only partly successful. By more fully appreciating the dynamics of organizational change and the interrelationships among various change processes, students will carry away with them into the world of work the understanding necessary to achieve higher levels of effectiveness in organizational change.

KEY POINTS

This chapter focuses on the pressures to change and how these create a desire to change. Next the chapter explores the three key stages of successful change. These are motivation to change, use of an effective change method, and the reinforcement of the change. It provides the students with a change model incorporating these change stages. This model then can be used to discuss and evaluate the more common change techniques used by organizations and managers.

The introduction of Isabella's stages model helps the student understand how individual's cope with the complexity of the change process. Students should understand the events that trigger individual reactions and the methods managers can use to help them cope with anxiety created by change.

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The more common change techniques discussed are training, counseling, team building, and organization development. In general this chapter has a very applied or practical orientation to the subject of change, which is very much in keeping with the rest of the book.

TOPICAL OUTLINE

How Our Work Life is Changing

Changes to Internal Work Processes Used to Complete Work
Organizations Are Changing Structurally
Shifts to a Global Economy
Increased Diversity in the Work Force

Stages of Change

Adaptation as a Model of Change
Organizational Adaptation

Resistance to Change

Organizational Culture and Power Structure
Changing Systems: The Effects of Interdependencies
The McKinsey 7-S Framework
The Five Leverage Points of Change
The Setting
The Organization
Management and Management Skills
Culture
Teams and team building

Helping Individuals Cope with Change

Before the Change Event
After the Change Even Is Confirmed
After the Change

Organizational Development

Organizational Analysis
Organizational Development Methods
Mentoring
Training
Team Building
Reinforcement of Organizational Changes
Evaluation of Organizational Change Programs

Summary

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KEY CONCEPTS

Action research

Amended mind set

Event confirmation stage

Mentoring

Organization development

Refreezing

Survey feedback

Team building

Transformation

Trigger events

Unfreezing

EXERCISES**A. Exercise: Barriers to Effective Change**

Here are two situations that introduce an organizational change initiative. On a piece of paper, list six barriers that are likely to exist to making these changes. How could you use the “leverage points” mentioned in this chapter to overcome those barriers?

Situation 1

This year, on your campus, the President has decided that the entire academic curriculum should be available as part of the university’s distance learning program. The President has set a goal of having all courses available “on-line” within five years and wants the university to prepare for a decrease of “in-residence” students and an increase in “distance-learning” students. Consider resistance that may come from sources internal to the university (faculty, staff, students, etc.) and those external to the university (the local community, legislatures, alumni, other key constituents etc.).

Situation 2

As the CEO of a large firm, you have decided to eliminate the production of one of your product lines (product A) that has been losing money for years. You would like to use the excess capability generated by the reduction to increase the production of two current products (product B and C) that have been more successful. Since your firm is organized by product, this would require all employees from product A to be moved into product B and C organizations. You are confident that you will be able to make the change with only minimal loss of jobs since most employees from product A can be transferred into the other two product divisions. Other reductions in the number of employees can come through early retirement or normal attrition.

Identifying Barriers to Change

Make copies of the following three sets of instructions to students on three separate sheets, then distribute them in a random way among the class. When the students finish (give them eight minutes) ask them to count the number of barriers to change for a curriculum that exist on their campus that they have written down. Do this for each of the three experimental conditions and put the results on the board. Discuss how in any assignment, specific and difficult goals usually result in higher performance, compared to the performance when individuals are given easy or vague goals. Discuss how specific and difficult goals are important in change programs. Next discuss the barriers themselves that the students listed and get a frequency count for each barrier. Then discuss how such barriers might be overcome.

GROUP 1

This year on your campus the president has decided that the entire academic curriculum should be changed to reflect the new global realities and educational technological possibilities that

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exist today. On this piece of paper list twelve barriers to making such a change that are likely to exist on your campus.

GROUP 2

This year on your campus the president has decided that the entire academic curriculum should be changed to reflect the new global realities and educational technological possibilities that exist today. On this piece of paper list six barriers to making such a change that are likely to exist on your campus.

GROUP 3

This year on your campus the president has decided that the entire curriculum should be changed to reflect the new global realities and educational technological possibilities that exist today. On this piece of paper list barriers to making such a change that are likely to exist on your campus. Do your best.

CHAPTER 16 STUDY QUESTIONS

1. What recent changes in the environment of the university have affected its operations? What responses are required from the modern university to react to these changes? Are all universities the same in terms of having to respond to such pressures? What types of universities would be different?

Total undergraduate enrollment in universities has fluctuated significantly in recent years. This has created problems for universities in projecting demand for courses that affects needed building capacity, professors, and dormitories. There are other environmental changes as well. Research and scientific discoveries in several academic fields have greatly increased in volume, making it more difficult to keep up to present levels of knowledge in these fields. Also new research technologies require the use of expensive equipment. These changes have a bigger impact on some universities than on others. Universities already with much longer lists of applicants than openings are not experiencing a decline in student enrollment since they have the power to control the size of their student enrollments. Some universities are obviously more affected by changes in the amount and type of scientific discovery than the teaching universities. Many universities are now attempting to obtain greater funding from research from private business enterprises – especially in light of decreasing state expenditures on education for public universities. They are also attempting with some success to obtain needed research equipment (computers, laboratory equipment, etc.) from manufacturers of this equipment on a donation basis.

2. We have indicated that an organization must change in response to its members just as members must change to adapt to the organization. What does this mean? Give some examples of how organizations must adapt to their members.

As characteristics of the labor force change, the organization must be sensitive to the needs of the new group of employees, which may be different than those of former employees, if it is to effectively recruit and motivate into the labor force many with young children. This has created a need to create day-care facilities, to offer flexible work hours, and other ways to accommodate the special needs of this group. Also, newer workers as compared to older workers may have higher needs for autonomy and achievement. This has implications for the design of jobs for such workers.

3. Everyone has been subject to training, both informal and formal, throughout life. List the types of training you have been subject to. Then indicate which of these types of training have been most effective in changing you. Why have these types of training been most effective?

Certainly training received from parents, relatives, friends, and significant others in the student's past life are likely to be mentioned. Some may list films, television, magazines, books, and newspapers as other forms of training. The actual experiences of students in a variety of situations may also be mentioned and may be considered to have been the most significant type

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of training in obtaining actual change, since this type of training gives the individual some sense of what it is possible for him or her to do and what he or she might be capable of achieving.

4. Change efforts directed at individuals, groups, or organizations may be effective in the short run but may not be in the long run. List some examples of change programs at the level of the individual, group, or organization that might be effective in the short run but not effective in the long run. List some examples of change programs that could be effective in the long run but not in the short run.

Students are likely to point to what is learned in specific courses as perhaps achieving short-run change only as opportunities to apply or to utilize what is learned are not forthcoming. Many other change attempts directed at the individual such as various attempts at persuasion may be effective temporarily until the person is exposed to counter arguments or additional information. Individuals may also be initially sold on methods for achieving desired change in themselves but later may find they do not work as well as hoped and may then discard these approaches. Examples of change programs that may be effective in the long run but not in the short run are those that may take a long time to be effective or take a long time to be really accepted. Many organizational or profit improvement programs that organizations implement often a long period of time before showing positive results. The new program may take a long time to be learned or to become institutionalized. Many societal change programs to change attitudes in the society or to improve certain societal problems may take a long time to produce results.

DIVERSITY, ETHICAL AND GLOBAL ISSUES**A Question of Ethics:
What Would You Do?**

Manuel Hernandez looked out the window and watched the people in the park across from his office enjoying the beautiful fall day. He wished he was outside enjoying the day as well. In fact, he wished he was anywhere except going into the meeting with his employees scheduled for 15 minutes from now. The meeting had been requested by the employee relations committee and was designed to address rumors that had been running rampant through out the organization that the company was going to downsize employees to improve their competitiveness.

Manuel was aware of the rumors and had kept in close contact with his supervisor in the corporate office. Based on those discussions, he had been confident that the organization would only try to reduce the workforce by freezing hiring and allowing for normal voluntary attrition. Manuel had agreed to the meeting and had told the leader of the employee relations committee that he would answer their questions as best as he could and that they would know “everything he knew”. After the last phone call, however, Manuel wished he had not agreed to the meeting.

Manuel reflected on the phone call he had received from the corporate office telling him a decision had been made to lay off 20% of the staff. While that news was bad enough, he had also been told that he could not announce the layoff until Friday, 3 days from now. The corporate office was worried about the implications of the announcement for shareholders, customers, and employees and wanted to delay the announcement until a formal plan for managing the announcement could be made. There were also many details about how the layoffs would be made that had not been worked out.

Now Manuel considered his options. He could cancel the meeting, but employee anxiety was very high and doing that would probably only make things worse. He could have the meeting and say that he was unaware of the company’s plans. He reasoned that that was a partially true statement because many details of the plan still needed to be worked out. Finally, he could make the layoff announcement and ask employees to not discuss the information.

Manuel had worked to instill ethical behavior as an important value for the organization and now he faced an ethical dilemma. If he kept his commitment of telling employees “everything he knew”, he would violate the trust of his boss. If he met with the employees and did not tell them about the layoffs, he would violate his commitment to openness. Manuel recognized the importance of trust in both his relationship with the corporate office and with his employees. He wished there was an easy answer to his dilemma, but he knew there was not one. If there is not an easy answer he wondered, is there an ethical one?

How would you have handled that situation?

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Instructor's Discussion

Managers often face dilemmas such as this. In managerial positions, you are often knowledgeable of information that you must keep in confidence. In this case, Manuel must consider that to violate the trust of either his superiors or subordinates could have long term negative implications on those relationships. He needs to walk a careful line, but a line walked by managers every day in organizations across the world.

Your authors recommend that Manuel has the employee meeting and tell employees that he has new information from the corporate office but that he is not in a position to discuss the information and that he is working to get complete information to share with them. He should assure them that as soon as he has the full information, he will meet with them and try to answer their questions. While the implications of this are sure to increase employee anxiety, it is critical that Manuel be open about the situation and be open with employees since the ground rules of their relationship have changed.

Diversity Issues: Action Plan for Change

Effective communication is a critical tool in effectively managing change. This communication is even more critical when that change affects a person of diversity. Here are some suggestions for improving difficult communications within a context of individual change [Mendleson and Mendleson, 1996].

- *Build rapport and participate in "rituals"*. Key here is demonstrating respect for the practices of others and participating in routine rituals such as meals, celebratory events or other activities that will break down any barriers that may exist.
- *Carefully discuss the change opportunity*. If the issue involves a change to a resolve a problem, a discussion is needed to make sure everyone has the same definition of the problem and the methods of change are agreed to.
- *Ask for a specific change in behavior*. Based on the success of the earlier steps, the manager should consider alternative tactics and consider alternatives and compromises offered by the employee.
- *Outline the benefits of the change*. It is important to provide incentives for individual change. Key here is knowledge of the individual and his or her values. In a diverse workforce, it would be a mistake to assume everyone is motivated by the same incentives.
- *Develop an action plan*. This specifies who will take specific actions and determines timelines for implementation of the change. As differences are discovered, sensitivity to those differences is important.

Global Focus:

Instructor's Manual To Accompany: Fundamentals of Organizational Behavior: What Managers Need to Know (Tosi & Mero)

The Myths of the Lives of Expatriates

One significant change in managing organizational behavior is dealing with US employees who are assigned to work units in overseas locations. Here are some common myths of expatriate life as discovered by one expatriate [Fitzgerald-Tuner, 1997]

Myth 1 - Western Europe is not a third world country.

While most countries in Europe have many modern aspects similar to life in the US, there are other aspects that cause frustration for expatriates. Being paid in US Dollars, lack of customer service and the expense of living in some areas are all areas of concern.

Myth 2 - Financial incentives resolve most problems.

Financial incentives often don't change with changes in the individual's circumstances and often lag well behind change in the valuation of the dollar.

Myth 3 - We are sending the best folks who can handle any situation.

While employees selected for such duties often have special skills such as language and knowledge of foreign travel, many difficulties can arise that are well beyond the ability or experience of the individual. They must cope with unanticipated cultural differences that were often not evident in previous shorter visits to the country.

Myth 4 - Support from the home office is always available.

While senior managers and supervisors may be sensitive to the employee issues involved in living in a different country, support staffs at other levels of the organization may be less sensitive. Problems in payroll and personnel are common experiences for expatriates.

Myth 5 - Language skills are only critical for the employee.

Many times these skills are even more important for the family who may have an even more direct interface with the local culture through schools, local employment, or just shopping and living.

Global Focus:

The Focus Of Change Programs Are Often A Moving Target

A discouraging feature of change programs that involve an attempt to catch up with competitors in the market place lies in the fact that such competitors are often moving ahead in a variety of fronts. If companies catch up with such competitors in some respects, there is a problem of the target moving ahead in other areas requiring constant and never ending change process.

A good example is the attempts of the U.S. manufacturers to catch up to Japanese competitors. Such U.S. manufacturers have now improved so much in recent years that the Japanese no longer have a clear lead in many areas and have even fallen behind in areas like reliable delivery. While the gap between the U.S. and Japanese has closed in some areas, a recent survey discovered the Japanese have developed other competitive advantages.

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The survey indicated that the Japanese now have been focusing more recently on such competitive factors as more and better product features, flexible factories, expanded customer service, and rapid outpourings of new products. Here the gap between the U.S. and the Japanese firms tends to be fairly substantial reflecting the fact that Japan has pushed for changes in these areas over the past ten year period. The use of sophisticated computer technologies has helped the Japanese manufacturers to make important positive changes in these areas [Stewart, 1992].

CASE: A CASE OF RESISTANCE**Case:
A Case of Resistance**

Bob Thompson thought that the consultant's approach to managerial performance improvements made a lot of sense. Each manager would be ranked from best to worst on each of several key managerial abilities. These rankings were then to go be given to the subordinate and his or her superior. Managers below the median of average would be asked to develop an action plan for them to improve on that particular ability. The consultant's program allowed for subordinate participation in change efforts as well as for a change program that was tailored to each individual manager.

The program was presented to higher management by the consultant and Bob Thompson, and they accepted it. It was then implemented throughout the organization. The managers themselves thought that the program made a lot of sense.

Trouble began shortly after the managers had all been ranked on key managerial abilities, and the results fed back to them. Managers receiving the lowest rankings reacted very negatively. They claimed that the rankings were in error and did not reflect their true abilities. Given this they saw no need to spend time in developing an action plan to improve these abilities. Bob Thompson wondered what went wrong with this program.

1. What went wrong that accounts for the negative reaction by the managers?
2. What are some strengths of the approach used by Thompson and the consultant?
3. How would you improve on the objectives and methods to deal with this situation?

Case Discussion: A Case of Resistance

1. What went wrong that accounts for the negative reaction by the managers?

Thompson encountered resistance to change when manager's disagreed with the evaluations of their overall strengths and weaknesses. They clearly viewed the evaluation as a threat and disagreed with the assessment system used. This resulted in their resisting further efforts. The stage in a change process that failed here was "motivation to change." The managers disagreed with the assessment of their skills and as a result, saw no reason to work to improve the skills identified. Managers didn't perceive and value the change because they disagreed with the initial assessment and weren't motivated.

2. What are some strengths of the approach used by Thompson and the consultant?

There are several positive aspects of the approach

1. The use of a consultant as an objective outside observer

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2. The process included establishing a base rate of behavior (performance) that could help the organization measure change (improvement). (See Organizational Behavior Modification in Chapter 6)

3. The program focused on the improvement of specific skills

3. How would you improve on the objectives and methods to deal with this situation?

The affected manager's were only consulted after the consultant had made their recommendation. While the managers thought the program "made a lot of sense", it doesn't appear that they participated in the development of the program. If they had of participated, they could have at least provided input on the method that would be used to evaluate their strengths and weaknesses. Their involvement in developing that evaluation method could have led to their improved confidence and trust of the evaluation and subsequent motivation to change.

A second issue is the establishment of objectives for the change. While the consultant and top managers believed the abilities were key aspects of performance, there was little involvement by managers at any level to determine this. A critical early step in determining what needs to be changed is to make sure you are focusing on relevant behaviors that are linked to organizational performance.

There are other potential barriers to change that were not considered. The case doesn't discuss the relationship between system used to evaluate managerial abilities and the current performance appraisal system used in the organization. Did the two systems evaluate different behaviors? Did managers feel threatened by their supervisors seeing a different evaluation of their abilities? Were managers afraid that this evaluation of their abilities might ultimately influence their performance ratings?