CHAPTER 4
ORGANIZATIONAL CHANGE
INTRODUCTION ABOUT ORGANIZATION CHANGE

Change is the law of nature. It is a necessary way of life in most organizations for their survival and growth. Though there may be some discontentment, during the early days of the change and adopt themselves to the change situation, hence, resistance to change would be a short phenomenon.

It is a common experience that people resist change, whether in the context of their pattern of life or in the context of their work situation in an organization.

Managing Change

The term ‘Organizational Change’ implies the creation of imbalances in the existent pattern or situation. Adjustment among people, technology and structural set up is established when an organization operates for a long time. People adjust with their jobs, working conditions, colleagues, superiors etc. similarly, an organization establishes relationship in the external environment. Change requires individuals and organizations to make new adjustments. Complexity and fear of adjustment give rise to resistance and problem of change.

Change could be both reactive and proactive. A proactive change has necessarily to be planned to attempt to prepare for anticipated future challenges. A reactive change may be an automatic response to change taking place in the environment.

Types Of Changes:

Change events come in various forms. First of all, a change can be intrusive or non-intrusive, they can be seen as threats or not. Some changes only affect the environment and not the group while other changes can have a direct influence on the group itself, for example a new group manager.
There can be big changes that alter everything or small changes that only concern a few people. Change event can also vary in predictability and controllability. It is only possible for the group to choose the time for a change, when the change is both predictable and controllable. The advantages of these kinds of changes are that they can be done when the group is ready and has time. Changes that are unpredictable or uncontrollable possess potentially bigger challenges and difficulties for the organization:

1) **Work Change** :- It includes changes in machinery, working hours, methods of work, job enlargement and enrichment, job redesign etc. change may also be in the working hours like morning shifts, evening shifts, operation of the organization on holidays.

2) **Organizational Change** :- It include change in employees due to transfers, promotion, enrichment, layoff, restructuring or organization, introduction new products or services, changes in organizational goals or objectives.

3) **Planned vs. Unplanned Change**: Planned changes normally are implemented by actors with knowledge about the change and where the change has been thought through before it is implemented. Planned change also always tries to improve the situation and the desired goal is often described before the change starts. On the other hand, unplanned change is not always driven by the will of humans and it does not always move the organization in a desirable direction. Other major contrasts between planned and unplanned change are the degree the change can be choreographed, scripted or controlled.
4) **Episodic vs. Continuous Change:** Changes can be categorized according to which tempo they have, episodic or continuous change. Episodic change is infrequent, discontinuous and intentional while continuous change is ongoing, evolving and cumulative. Episodic change occurs when the organization is moving from its equilibrium condition. It uses a distinct period of time to be completed and normally involves some sort of shift, like technology change or change in key personnel. Continuous change is an expression that groups together ongoing, evolving and cumulative organizational changes.

**Reasons For Change:**

Changes in organization are must, whether brought about deliberately or unwillingly. The reasons for change are categorized as follows:

- Changes in Business condition
- Changes in managerial personnel
- Deficiency in existing organizational patterns
- Technological and Psychological reasons
- Government policy
- Size of the organization

**Response To Change:**

Work change does not produce direct adjustment. Instead it operates through each employee’s attitude to produce a response that is conditioned by feelings towards the change. People often show this attachment to the group by receiving it in some uniform response to the change.
Every change has likely to have some cost as well as bring additional benefits to the organization. Organization introduces change benefits are relatively more than the cost. Cost and benefits are not only economic but also social, psychological, environmental etc.

**RESISTANCE TO CHANGE:**

The basic problem in the management to change is the study of causes of resistance to change. Despite the fact that change is a persistent phenomenon, it is a common experience that employees resist change whether in the context of their pattern of life or in the context of their situation in the organization. The best example is resistance of employees to computerization. Change of and type requires readjustment. Man always fears the unknown, and a change represents the unknown.

**REASONS FOR RESISTANCE**

Some of the important reasons for resistance to change as follows:

1) **Economic Reasons:** Economic reasons for resistance are classified into three groups and these are:

   - Fear of reduction in employment: Due to the change in technology, methods of work, quantity or quality of work. This fear leads to resistance to change on the part of people.
   
   - Fear to demotion: Employees may fear that they may be demoted if they do not possess the new skills required for their jobs, after the introduction of change. Hence they prefer status quo.
• Fear of workload: Change in work technology and methods may lead to the fear that workload will be increased while there will not be any corresponding increase in their salaries and benefits. This feeling creates resistance to change.

2) **Personal Reasons:** personal reasons for resistance are also divided into three classes. They are:

• Need for training: If change in technology and work organization necessitates training and re-learning on the part of employees, it may lead to resistance, as all do not like to go for refresher and retraining courses off and on.

• Boredom and monotony: If the proposed change is expected to lead to greater specialization resulting in boredom and monotony, it may also be resisted by employees.

• No participation in change: Some employees resist any change as they are critical of the situation and they are not being given any part in decision making process for change.

3) **Social Reasons:** Social reasons for resistance are also classified into three groups. They are:

• Need for new social adjustment: And organization change requirement new social adjustment with the group, work situation and new boss etc. all individuals are not ready to accept this challenge.

• Taking change as imposed from outside: Some people take any change as imposed from outside upon them.
• Other considerations: Some employees may consider that every change brought about is for the benefit for the organization only and not for them. Their fellow workers or even the general public, hence they resist the change.

**Approaches To organizational Change:**

Managerial is said to be an agent of change. It means management has to introduce change successfully in its organization. It has to overcome the resistance and make it a successful venture. The management must realize that resistance to change is basically a human problem. Management has to take the following steps to implement the change successfully.

1) **Participation of Employees:** Before introducing any change, the employees should be fully consulted and they must be made a party to any such decision. The meaning and purpose of change must be fully communicated to those who will be affected by it. Enough time should be allowed for discussion, and pros and cons of the change should be explained, in detail to employees.

2) **Planning For Change:** Before implementing new change the management should plan for it. Employees should get an opportunity to participate both in planning the change and installing it.

3) **Protecting Employees Interest:** Management should ensure that employees are protected from economic loss, loss in status or personal dignity. If those things are protected, the degree of resistance to change will be at the lowest ebb.

4) **Group Dynamics:** It refers to the ever changing interactions and adjustments in the mutual perception and relationship among members of the group. Such group interactions are the most powerful instrument which facilitates adaption to change. Adaption is a team
activity which requires conformity to the new group norms, moves, traditions and work patterns.

5) **Cautions And Slow Introduction**: The management should not introduce any change suddenly and abruptly. It must be an objective for the management to build in the organization on awareness of change and an ability to forecast it.

6) **Positive Motion**: The management should use the policy of positive motivation to counteract negative resistance. It should be the attempt of the management to make the job easier and less exerting. The management should impart proper training to its employees in new techniques and work knowledge etc. The leadership styles should also be supportive and human oriented. This policy will also bring down the resistance to change.

7) **Sharing The Benefits Of Change**: Any change whether technical, social or economic will be least resisted by the employees if the management permits the employees to share benefits which arise out of change. So the management must see that employees are not only assured of it, they are given due advantage of it as well.

8) **Training And Development**: Management should plan for change. Based on the change plan, the job should be redesigned. Management should train the employees before hand and prepare the employees to invite change. Normally trained and developed employees will not resist change as they cannot keep quiet with enriched skill and knowledge.

9) **Carrier Planning And Development**: Organization on the basis of change plans and redesigned jobs should plan for carriers of employees, possibilities to move the employees to the higher levels and develop them. The developed employees for future careers demand the management to implement them.
Planning And Implementing change:

Management is often called a ‘change agent’ as its role is to initiate the change, and help make it work successfully. Employees support is most essential in implementing the change successfully as they are at the helm of affairs, though the management is an agent of change. Change is typically viewed as the required three steps, viz., unfreezing, changing and re-freezing. Unfreezing means the old ideas and practices need to be cast aside so that new ones can be learnt. Change is the step in which new ideas and practices are learnt so that an employee can think and perform in new ways. Refreezing means that what has been learnt is integrated into actual process.

Implementation is the institutionalization and internalization of a change after it has been accepted by an organization and a decision has been taken to accept and make it part of the ongoing activity. Implementation may be seen as multidimensional process. The end result of implementation is the institutionalization and stabilization of change. The implementation process should start with planning. The three important stages of implementation of process are:

- Monitoring the change
- Taking action in relation to the change
- Making necessary adjustments in the programme accepted for implementation.

Planning: The main objective of planning is to have an overall understanding of the nature of implementation. Planning process refers to determining in advance the entire process of
implementation of change phasing. Planning may be focused on phasing. Phasing may be either temporal or spital (in terms of various units or the locations of the organization)

Fig. 1 The model of implementation of change in an organization
• **Processes:** Various processes involved in implementation should be decided in advance. Various stages of the process should include:

- Initiation
- Motivation
- Information collection
- Action proposal
- Implementation and stabilization

Attention should be paid to the process of collaboration, increasing the capability of organization to face the problems of change, establishing the norms and values.

• **Strategies:** Management should formulate various strategies for implementation. These strategies should focus on taking outsider’s help, change agent, designing permanent organizational structures, unit of the organization to be selected for initial process, openness with the environment etc.

**Monitoring:** It is the process of “routine periodic measurement of programme inputs, activities and outputs undertaken during programme implementation. Monitoring is normally concerned with the procurement, delivery and utilization of programme resources or progress made in the production of outputs.” Monitoring is essential to make implementation effective. Monitoring control is to ensure that a plan proceeds according to the original design. This team may have a continuous status.
Implementation Team: A broad based task group of implementation should be set-up to look after the implementation of the change programme and monitor such programme. HRD department of the organization may be asked to take up this responsibility.

Minimum Control: Control should be minimum in order to make the monitoring effective. It is a delicate issue. On one hand it is a control function and on the other it also attempts to develop new norms of creativity, diversity and experimentation. Key roles involved in the implementation process are task force, implementation team, chief implement and corporate management. These roles at various stages of process are depicted in figure.

Review and Feedback: Implementation requires reviewing various processes and provides feedback.

MODELS OF CHANGE PROCESS:

1) Robert Lussier’s Change Model

Kurt Lewin’s model provides a general framework for understanding organizational change. Because the steps are broad, Robert Lussier (2008) developed a more specific model consisting of five steps:

1. Define the change, Clearly state what the change will be.
2. Identify possible resistance to change. Determine intensity, source, and focus of resistance.
3. Plan the change. How will the change be implemented?
4. Implement the change.
• Give the facts.
• Involve employees.
• Provide support.

5. Control the change.

2) John Kotter’s Eight-Stage Change Model

John Kotter (1996; Kotter & Cohen, 2002) has described a successful model for understanding and managing change. According to Kotter, a general lesson learned from successful cases of organizational change is that the change process goes through a series of phases that, taken together, require a length of time. Skipping steps will only create the illusion of speed and never produce satisfactory results, according to Kotter. Making mistakes in any of the phases may have devastating impact, slowing momentum and negating gains. Each stage acknowledges a key
principle identified by Kotter, relating to people’s response and approach to change, how people see, feel, and then change. Kotter’s eight step change model can be summarized as follows:

1. Establish a sense of urgency--inspire people to move, making objectives real and relevant. A threat of losing ground in some way sparks people into action, and they in turn will communicate a sense of urgency to others. Kotter suggests that the urgency level is high enough when 75% of the leadership is convinced that business as usual is no longer an acceptable plan.

2. Build the guiding team--get the right people in place with the right emotional commitment, and the right mix of skills and levels. Efforts for change may begin with one or two people. Regardless of the size of the organization, this beginning group for change needs to have three to five individuals leading the effort. This team’s sense of urgency and sense of what’s happening and what is needed is crucial. Involve leaders in this beginning coalition.

3. Get the vision right--get the team to establish a simple vision and strategy and focus on emotional and creative aspects necessary to drive service and efficiency. Successful transformation rests on a vision of the future that is relatively easy to communicate and appeals to customers, stockholders, and employees. The vision will clarify the direction in which the organization needs to go. What is needed is a vision that can be communicated to someone in five minutes or less and that gets a reaction that shows both understanding and interest.

4. Communicate for buy-in--involve as many people as possible and communicate the essentials simply to appeal and respond to people’s needs. De-clutter communications--make technology
work for you rather than against you. Kotter suggests that leadership estimate how much communication of the vision is needed and multiply that effort by ten. Use every existing communication channel and opportunity.

5. **Empower action**—Remove obstacles, enable constructive feedback and lots of support from leaders, and reward and recognize progress and achievements. Organization members need to be allowed to make changes in their areas of involvement. Budget money needs to be allocated to the new initiative. Remove any obstacles there may be to get on with the change.

6. **Create short-term wins**—set aims in bite-size chunks that are easy to achieve. Create a manageable number of initiatives. Finish current stages before starting new ones. Commitments to produce short-term wins will keep the urgency level up.

7. **Don’t let up; consolidate improvements and sustain momentum for change**—foster and encourage determination and persistence, ongoing change, and ongoing progress reporting, highlighting achieved and future milestones. However, premature declaration of victory may kill momentum and allow the old system to regain ground. Leaders of successful efforts use the feeling of victory as motivation to explore their organization more deeply, moving people committed to new ways into key roles. Leaders need to keep in mind that the process may take years.

8. **Make change stick; institutionalize the new approaches**—reinforce the value of successful change via recruitment, promotion, and new change leaders. Weave change into culture. Change
sticks when it becomes “the way we do things around here.” Two factors are particularly important for institutionalizing new changes: a conscious attempt to show how the new approaches, behaviors, and attitudes helped improve the organization, and ensuring that the next generation of leaders believes in and embodies the changes.

ORGANIZATION CHANGE MANAGEMENT PROCESS

Selecting and implementing significant change is one of the most challenging undertakings that faces an organization. If the change involves the entire organization and also requires new paradigms that will replace established ways of doing business the challenge is daunting. Research shows that the success rate for implementing major organizational change is quite low, for several reasons.

First, asking organizations to change the way they conduct their business is similar to asking individuals to change their lifestyle. It can be done but only with the greatest determination, discipline, persistence, commitment and a clear plan for implementing the change.

Second, resistance to change is a natural human phenomenon. All people resist change, some more than others. Managing that resistance is an essential part of the process.

Third, change creates uncertainty. Organizations generally achieve fairly predictable results with their existing business model. Their outcomes may not be the desired results, but they are predictable. Change is unpredictable. The results may be far better – but they may also be far worse. And success often looks and feels like failure until the change is very nearly completed.
Staying the course of implementing a change – which is essential for its success – meets with continuing human and organizational resistance and pressure to pull the plug before the process is completed.

Managing the process of change is essential to successful implementation. Success will be based on two major factors: a defined process to guide the change and an assigned Change Leadership Team.

The Change Leadership Team is not necessarily a full-time, dedicated team. But it must be a team that is given the charter, the responsibility, the authority and the accountability for the full implementation of the required changes. If the change is organization-wide, paradigm-shifting or systemic, this may well be the senior management team of the organization. If the change is for a major subset of the organization, then a separate cross-functional team may be designated. In either event, the team must be clearly defined and allocated sufficient capacity – time, resources, and authority - to do its work.

**Organizational Change is Systematic**

The systematic model developed by Dr. Resnick has been tested and used successfully with many companies. It offers a comprehensive yet simple way of identifying and applying the leverage points that guide the change process.

The model starts with the organization’s vision. A vision is not simply the sentence that gets mounted on the plaque in the lobby. The vision must be sufficiently comprehensive to provide guidance and direction to every employee in the company.

The next basic component is a clear understanding of the markets the company serves and its desired customer profiles.
Once these two elements are defined, the elements in the middle of the diagram are the organizational system. This system exists for only one purpose - to deliver the power of the organization’s vision to its customers. Every element needs to be examined and re-designed to make sure that it is "fit for purpose" – to deliver the vision to customers.

The elements that comprise an organization are shown in the four quadrants: structure, work processes, people and tools. These are four key interdependent components.

- Structure is the traditional view of an organization. It is the "faces and spaces" diagram that is shown as an organization chart. It defines the boundaries of authority and decision-making and identifies the key personnel responsible for the business.
- Work processes describe how work gets done in an organization. They range from a few high-level cross-functional integrated core processes that drive the business down to detailed departmental processes and procedures.
- People identify the skill sets needed for the company and the numbers of people with various skills. The essence of this category is about getting the right people doing the right job in the right place.

- Tools represents physical facilities and capital equipment - hardware and software systems, management and reporting systems, written documents such as policies, procedures and manuals, and compensation tools.

An organization undergoing major change should examine all of these quadrants and assess their alignment to its vision, its customers and each other. This will enable senior management to identify the leverage points that will create sustainable breakthrough change.

**The Change Management Methodology**

**Step One** - Confirming the Compelling Need to Change

It is not uncommon for the process to begin with significant discussion about whether broad-based systemic change is needed, or whether smaller incremental improvements will do the job. This often requires some external data (market share, competitive information, etc.) as well as objective internal data (how long does it take to complete projects vs. plan; are costs per unit increasing or decreasing; is our organization getting better at what it does; is competitive positioning weakening, etc.).

**Step Two** - Identifying the Boundary Conditions

Boundary conditions define the limits (or playground) within which change might be considered. When senior teams begin their discussion some large topics usually emerge very quickly. Issues
such as mergers, acquisitions, international or global initiatives, large capital investments, strategic alliance partners, equity situations, private vs. public ownership, etc. may be debated.

**Step Three** - Creating the Vision of the Desired End State

A group of people aligned around a common vision are a very powerful force. John Kennedy’s vision of "put a man on the moon by the end of the decade" spurred NASA to unprecedented performance. Martin Luther King’s vision in his "I have a dream" speech energized the civil rights movement. Jack Welch’s vision for GE in which he said that "We will be number one or number two in every category or we won’t be in it" drove incredible energy and focus through GE. The vision of Mercedes Benz to "always make the best engineered car in the world" has been the hallmark of its focus for decades.

**Step Four** - Developing the Core Work Processes

The mention of work processes typically creates mixed reactions. Everyone agrees that some degree of process is required. Without defined processes a company would not be able to produce a consistent payroll. It would not be able to hire people. It would not have any consistent methodologies for its work. It could never assure any consistency or reliability.

**Step Five** - Defining Key Roles and Responsibilities

Every company has a relatively small number of key roles that are central to its business. There are usually a number of people who perform these roles, and they are the linking pins for one or several core processes. Some examples of such key roles are: project director, lead engineer,
national account manager, customer service representative, senior consultant, systems engineer, account executive, etc

**Step Six** - Modifying the Organizational Structure

Most changes begin with a modification of the organizational structure. Unfortunately, most changes end there as well – which is precisely why most large scale change is unsuccessful. Step six represents the point where examining and possibly modifying the organizational structure is both appropriate and necessary.

**Step Seven** - Establishing the Key Performance Measures

Every organization measures its performance. Unfortunately, most organizational measures have two fundamental flaws. First, there is a disproportional emphasis on financial measures. Financial measures are not direct performance measures. They are the consequences of company
performance achieved or not achieved. By themselves, they indicate very little. Second, most performance measures cause the company to look through its rear view mirror. These measures indicate past performance and do little to help guide future performance or have a positive impact on organizational results.

**Step Eight - Reviewing System-Wide Tools**

Tools are powerful forces in defining how an organization behaves. An enterprise-wide tool can be one of the most dramatic vehicles to create (or force) organizational change.

**Step Nine - Develop Training that Enables Performance**

Training is an integral part of organizational design and behavior. It is essential to ensure that individuals have the knowledge and skills to perform in their current jobs and prepare for new ones.

Training is also perceived by employees as a measure of the organization’s commitment to them. In the current marketplace employees are encouraged to think of themselves as independent contractors selling their services for the best opportunity. Training (as a part of continuous learning) is an essential ingredient for retaining a nimble workforce.

**Step Ten – Aligning the Reward Systems**

Traditionally reward systems have been approached conservatively in the form of salaries for professional employees and hourly wages for non-exempt employees. In some companies annual bonuses or profit-sharing programs have been added, tied to organizational performance for that year.