

Unit 3 : Change Management

INTRODUCTION

Change is a phenomenon that pushes us out of our comfort zone. It is for the better or for the worse, depending on how it is viewed. Change has an adjustment timeline that varies from person to person. Change has a negative effect on those who do not want to let go. Being flexible is the key.

Change is not related to the mantra 'just hang in there', but the mantra 'you can make it'. It is not associated with worrying. Change spurs you to achieve your best. It will cause you to learn.

MEANING AND DEFINITION OF ORGANISATIONAL CHANGE

Organizational change is both the process in which an organization changes its structure, strategies, operational methods, technologies, or organizational culture to affect change within the organization and the effects of these changes on the organization. Organizational change can be continuous or occur for distinct periods of time.

A few definitions of organizational change are as follows:

According to Business Dictionary.com, "Organization change means a company or organization going through a transformation. Organization change occurs when business strategies or major sections of an organization are altered. Also known as reorganization, restructuring and turnaround."

According to Cambridge Dictionary, "Organisational change is a process in which a large company or organization changes its working methods or aims, for example in order to develop and deal with new situations or markets."

IMPORTANCE OF CHANGE

External environment affects the organizations both directly and indirectly. The organizations have no control over the variables in such an environment.

Accordingly, the organizations cannot change the environment but must change themselves to align with the environment.

External forces for change arise from general environment as well as from task environment. The general environment that affects the organizations indirectly consists of economic, political, legal, socio-cultural and technological forces and these forces keep the organizations alert so that they become aware of any changes in the direction and momentum of these forces.

For example, when due to oil crisis, people started buying small fuel efficient cars from Japan, the American automobile manufacturers who were accustomed to producing large luxury cars, spent billions of dollars in the mid 1970s in retooling the new machinery to build smaller cars.

Similarly, changes in laws regarding control of air pollution or dumping of chemical wastes and economical changes such as inflation rate, disposable money supply, unemployment rate – all constitute sources of change for the organizations.

Social changes such as changes in the taste of clothing, or introduction of laptop or notebook computers made many companies large and successful while at the same time destroying many other companies who were slow or unwilling to adapt to the change.

Task-related environment has direct influence on the health of the organizations and it consists of customers, competitors, suppliers, labour, stockholders and so on. All these factors can induce a change in the organizational direction.

Competitors can influence a change in an organization by the price structure and product lines. Price wars in airline fares have driven many airlines out of business.

Stockholders can influence organizations because they can take action against the board of directors if they feel that the board is not acting in their best interests.

Customers have been known to change their loyalty for better quality product and better service. Accordingly, organizations cannot rest on status quo and must remain dynamic and be able to change quickly to adjust to changed environment.

NATURE OF PLANNED CHANGE

1. Change results from the pressure of both internal and external forces in the organisation. It disturbs the existing equilibrium or status quo in the organisation.
2. The change in any part of the organisation affects the whole of the organisation.
3. Change will affect the various parts of the organisation in varying rates of speed and degrees of significance.
4. Changes may affect people, structure, technology and other elements of the organisation.
5. Change may be reactive or proactive. When change is brought about due to the pressure of external forces, it is called reactive change. Proactive change is initiated by the management on its own to increase organisational effectiveness.

Theories of Planned Change

Action Research Model

The action research model focuses on planned change as a cyclical process in which initial research about the organization provides information to guide subsequent action. Then the results of the action are assessed to provide further information to guide further action, and so on. This iterative (iterate means to repeat) cycle of research and action involves considerable collaboration among organization members and OD practitioners. It places heavy emphasis on data gathering and diagnosis prior to action planning and implementation, as well as careful evaluation of results after action is taken.

1. Entry (Problem identification):

This stage usually begins when a key executive in the organization or someone with power and influence senses that the organization has one or more problems that might be solved with the help of an OD practitioner. Contact between the consultant and client is what initiates the entry phase. After the

contact, the consultant and the client begin the process of exploring with one another the possibilities of a working relationship.

2. Contracting (Consultation with a behavioral science expert):

During the initial contact, the OD practitioner and the client carefully assess each other. The practitioner has his or her own normative, developmental theory or frame of reference and must be conscious of those assumptions and values. Sharing them with the client from the beginning establishes an open and collaborative atmosphere.

3. Diagnosis (Data gathering and preliminary diagnosis):

This step is usually completed by the OD practitioner, often in conjunction with organization members. It involves gathering appropriate information and analyzing it to determine the underlying causes of organizational problems. The four basic methods of gathering data are interviews, process observation, questionnaires, and organizational performance data.

4. Feedback (Feedback to a key client or group):

Because action research is a collaborative activity, the diagnostic data are fed back to the client, usually in a group or work-team meeting. The feedback step, in which members are given the information gathered by the OD practitioner, helps them determine the strengths and weaknesses of the organization or the department under study.

Kurt Lewin's Model of Change

Kurt Lewin proposed the three-stage model of the change process for moving an organization from the current position to the changed position.

This is as follows:

Stage 1: Unfreezing : Inspiring and developing eagerness to change through

(a) Acceptance or rejection

- (b) Certainty of regret or tension
- (c) Procession of psychological security

Stage 2: Changing through cognitive restructuring : Helping the management view and analyse things from the angle of:

- (a) Identification with a new ideal
- (b) Analysis of the environment together new data

Stage 3: Refreezing: Helping the management

- (a) Integrate the desired change into the organization structure
- (b) Forge a significant relationship with the new point of view

1. Unfreezing: The process of unfreezing makes individuals ready for change. Lewin believes that employees must be informed of any impending change well in advance so that they are not surprised. Unfreezing entails unfreezing the old behaviour or situation. Edgar Schein captured this admirable idea propounded by Lewin and improved it by determining the emotional process involved in each stage of the model. Unfreezing involves creating motivation and readiness to change by introducing an environment of disconfirmation of existing psychological safety in the changed pattern of behaviour. This can be accomplished by communication, call meetings and promote the idea throughout the organization via bulletin boards, personal contacts and group conferences. The process of unfreezing basically cleans the slate so that fresh behavioural patterns, customs and traditions can be imprinted, so that they can then become a new way of doing things.

2. Refreezing: This refers to the integration of the new behaviour into the employee's personality and attitude. It is also referred to as stabilization. The change behaviour must necessarily fit into the social surroundings. Refreezing takes place when the changed behavioural patterns become stable and old patterns are not repeated. It must be re- enforced continuously so that it does not diminish in any way. The change process is not a constant process hence, unfreezing, change and refreezing must also be continued.

TYPES OF ORGANISATIONAL CHANGE

Change has been broadly categorized into the following types:

1. Proactive Change

The term proactive simply means in anticipation. So proactive change refers to the change undertaken in anticipation of the likely changes in the forces affecting the organisation. These organisations introduce change much before it becomes a fire-fighting situation. They incorporate

change much before they are forced to do so. Infact they undertake change programmes on a regular bases in order to avoid inflexibility.

2. Reactive Change

A reactive change refers to a change which is undertaken when the organisation is forced by some factors either internal on external. The organisation responds to events and adopt to change only when they are pressed to do so. Most of the traditional organisations follow usual course of

action and are reluctant to change, unless and until it is a compulsion or made mandatory by the government or any other authority.

3. Adaptive Change

Adaptive changes are small, incremental changes organizations adopt to address needs that evolve over time. Typically, these changes are minor modifications and adjustments that managers

fine-tune and implement to execute upon business strategies. Throughout the process, leadership may add, subtract, or refine processes. One example of an adaptive change is an organization that

upgrades their computer operating systems from Windows 8 to Windows 10.

4. Transformational Changes

Transformational changes have a larger scale and scope than adaptive changes. They can often involve a simultaneous shift in mission and strategy, company or team structure, people and organizational performance, or business processes- Because of their scale, these changes often take a substantial amount of time and energy to enact. though it's not always the case, transformationa

changes are often pursued in response to external-forces such as the emergence of a disruptive new competitor or issues impacting a company's supply chain.

Resistance to Change

Individual resistance to change

Individuals resist change for various reasons. These are given as under:

- **Fear of the unknown:** Individuals are suspicious about management actions. The organizational policies should encourage open communication, closer interaction between the leader and the led and there should be an organizational culture that promotes confidence among all the employees. They must have full trust in the leadership. This can be built up by regular briefing sessions, meetings and by explaining to the workers about the impending change and why it is necessary. They must understand that managerial actions are for the overall good of the employees.
- **New learning:** Technology upgradation, open-market scenario, and fast social changes have a tremendous impact on society. Employees have to learn many new techniques due to these changes in the environment. They must display a positive attitude towards learning. It has been seen that organizations can only sustain if they adopt the culture of learning organizations.
- **Disruption in work environment:** Change means reorganization in work culture that may involve the formation of new groups and teams. This is not preferred by workers because they might lose old friends in the process. This may cause disruption and emotional disturbance in the minds of the employees. It is the responsibility of the leader to put the employees at ease.
- **Distrust in management philosophy towards change:** There is well- documented literature on the history of labour relations which talks of the exploitation of employees by managers. That is why employees resist change. This can be overcome by the open door policy of management towards employees.

Organizational resistance to change

Organizational resistance is noticed in the following areas:

- **Threat to power structure:** Organizations have to keep pace with changes in the social structure. Decentralization, delegation of authority and empowerment have become the order of the day for organizations to be successful. These concepts and their application are being resisted by the

organization because middle-level managers develop a sense of powerlessness that is not really true. This causes resistance to change by the organization.

- **Vested interest of the management:** Management always wishes to recoup the sunk cost of the assets created out of the profits earned by the employees. This is always resisted by the employees. They also desire to expand the domain of their business by diversification, which is again resisted by the employees. It is, therefore, necessary to take the employees into confidence and make them a party to the strategic policies that the management may want to implement.

- **Job security:** One of the major reasons for change is job security. In recent times there has been a great deal of downsizing in organizations as a means of cost cutting. The fear of losing one's job is, therefore, a factor of resistance. The introduction of modern technology and systems should lead to growth in the productivity of an organization and not lead to employee turnover.

- **Lack of communication:** Different people will see different meanings in any proposed change. Management must communicate in advance the need for change, and the process one is to adopt for the implementation of change. Employees should be co-opted right from the beginning in the change process so that they are party to the change and resistance is reduced to a great extent.

- **Rapidity and extent of change:** An autocratic leader has the tendency to introduce change abruptly and with speed. Resistance, therefore, may be expected—the degree of which depends on the persons affected by the change. If the change is of a minor nature and involves routine operations, resistance would be minimal. If on the contrary, the change is major and involves a large number of employees, there would be tremendous resistance to it. For example, when Balco was privatized all the employees resisted it.

- **Group phenomenon:** Individuals, on occasion, resist change because the group wants it that way. The importance of group cohesion, group norms, code of conduct and the security that the group provides to its members, play a dominant role in individual behaviour which influences them to resist.

- **Loss of power:** The downsizing of departments or the posting of an executive to a different department where there is a reduction of the power base will be resisted by the affected individuals, even though it may be of overall interest to the organization. For example, a superintendent of police of a district will resist his posting as an instructor to the police training academy.

- **Technology:** Technological changes are required for the growth of an organization. People have now realized that to be competitive, the latest technology which improves human skills, must be introduced

in the organization. It is important to consider that no human resources should be replaced by these changes. A certain amount of displacement should be taken in one's stride. The introduction of technology that causes economic loss and disturbs social relationships are generally resisted.

- New practices: Due to the advent of technology and education, more and more women are now working. Some of them are serving in top decision-making positions. The domination of women is very often not liked by people and is, therefore, resisted. In order to survive, organizations have to sometimes adopt the strategy of acquisitions and mergers, which again is resisted by the employees.

Factors influencing change

External factors

1. Technology.

Technology is the major external force which calls for change. The adoption of new technology such as computers, telecommunication systems and flexible manufacturing operations have profound impact on the organisations that adopt them.

The substitution of computer control for direct supervision, is resulting in wider spans of control for managers and flatter organisations. Sophisticated information technology is also making organisations more responsive : Both the organisations and their employees will have to become more adaptable. Many jobs will be reshaped. Individuals who do routine,

specialised and narrow jobs will be replaced by workers who can perform multiple tasks and actively participate in decision making. Managements will have to increase their investment in training and education of the employees because employees' skills are becoming obsolete more quickly. Japanese firms have progressed rapidly because they are

very fast in adopting new technological innovations.

2. Marketing Conditions.

Marketing conditions are no more static. They are in the process of rapid change as the needs, desires and expectations of the customers change rapidly and

frequently. Moreover, there is tough competition in the market as the market is flooded with new products and innovations everyday. New methods of advertising are used to influence the customers. Today the concept of consumerism has gained considerable importance and thus, the consumers are treated as the kings.

3. Social Changes.

Social and cultural environment also suggest some changes that the organisations have to adjust for. There are a lot of social changes due to spread of education, knowledge and a lot of government efforts. Social equality e.g. equal opportunities to women, equal pay for equal work, has posed new challenges for the management. The management has to follow certain social norms in shaping its employment, marketing and other policies.

4. Political Forces.

Political environment within and outside the country have an important impact on business especially the transnational corporations. The interference of the government in business has increased tremendously in most of the countries. The corporate sector is regulated by a lot of laws and regulations. The organisations donot have any control over the political and legal forces, but they have to adapt to meet the pressure of these forces.

In our country, the new economic policy has liberalised the economy to a large extent. Many of the regulatory laws have been amended to reduce the interference of the Government in business.

An organisation is also affected by the world politics. Some of the changes in the world politics which have affected business all over the world are e.g. the reunification of Germany, Iraq's invasion of Kuwait and the break of Soviet Union.

Internal factors

1. Nature of the Work Force.

The nature of work force has changed over a passage of time. Different work values have been expressed by different generations. Workers who are in the age group of 50 plus value loyalty to their employers. Workers in their mid thirties to

mid forties are loyal to themselves only. The youngest generation of workers is loyal to their careers.

2. Change in Managerial Personnel.

Change in managerial personnel is another force which brings about change in organisation. Old managers are replaced by new managers which is

necessitated because of promotion, retirement, transfer or dismissal. Each manager brings his own ideas and way of working in the organisation. The informal relationships change because of changes in managerial personnel. Sometimes, even though there is no change in personnel, but their attitudes change. As a result, the organisation has to change accordingly.

3. Deficiencies in Existing Management Structure.

Sometimes changes are necessary because of some deficiencies in the existing organisational structure, arrangement and processes. These deficiencies may be in the form of unmanageable span of management, larger number of managerial levels, lack of coordination among various departments, obstacles in communication, multiplicity of committees, lack of uniformity in policy decisions, lack of cooperation between line and staff and so on. However, the need for change in such cases goes unrecognised until some major crisis occurs.

4. To Avoid Developing Inertia.

In many cases, organisational changes take place just to avoid developing inertia or inflexibility. Conscious managers take into account this view that organisation should be dynamic because any single method is not the best tool of management every time. Thus, changes are incorporated so that the personnel develop liking for change and there is no unnecessary resistance when major changes in the organisation are brought about.

OVERCOMING RESISTANCE TO CHANGE

Problem of overcoming resistance to change can be handled at two levels :

(i) At the individual level.

(ii) At the group level through group dynamics.

EFFORTS AT THE INDIVIDUAL LEVEL

1. Participation and Involvement.

Individuals will find it difficult to resist the changes in which they participated. Prior to making a change, all those persons who are going to be affected by the change, can be brought into the decision making process. Their doubts and

objections should be removed to win their cooperation. Getting opinions out in the open, so that they are looked at and evaluated is an important trust building task. This involvement of the workers can overcome resistance, obtain personal commitment and increase the quality of the change decisions.

2. Effective Communication.

Inadequate or inaccurate information can be a reason for the resistance to change. An appropriate communication programme can help in overcoming

this resistance. Workers can be given necessary education about the change, its process and its working through training classes, meetings and conferences. The reasons about the change must be communicated very clearly and without ambiguity.

3. Facilitation and Support.

Change agents can offer facilitation and supportive efforts to overcome resistance.

Facilitative support means removing physical barriers in implementing change by providing appropriate training, tools, machinery etc.

Supportive efforts include listening, providing guidance, allowing time off after a difficult period and providing emotional support. Emotional support is provided by showing personal concern to the employees during periods of stress and strain.

4. Leadership.

Leadership plays a very important role in overcoming resistance to change. A

capable leader can reinforce a climate of psychological support for change.

The greater the prestige and credibility of the person who is acting as a change agent, the greater will be the influence upon the employees who are involved in the change process. A strong and effective leader can exert emotional pressure on his subordinates to bring about the desired change.

5. Manipulation and Co-optation.

This method is used in the situation, where other methods are not working or are not available. Managers can resort to manipulation of information, resources and favours to overcome resistance.

6. Coercion.

Managers may resort to coercion if all other methods fail or for some reason are

inappropriate. Coercion may be in form of explicit or implicit threats involving loss of jobs, lack of promotion and the like. Managers sometimes dismiss or transfer employees who stand in the way of change. Coercion can seriously affect employees attitudes and have

adverse consequences in the long run.

7. Timing of Change.

Timing of introduction of change can have a considerable impact on the resistance. The right time will meet less resistance. Therefore, management must be very careful in choosing the time when the organisational climate is highly favourable to change.

EFFORTS AT THE GROUP LEVEL

Darwin Cartwright has identified the following characteristics of group as a means of overcoming resistance to change :

1. If both the change agent and the people target for change belong to the same group, the role of group is more effective.
2. If the people have more cohesiveness and strong belonging to the group, change is easier to achieve.
3. The more attractive the group is to the members, the greater is the influence of the group to accept or resist a change.
4. Group can exert more pressure on those factors of the members which are responsible for the group being attractive to the members. Normally attitudes, values and behaviour are more common factors determining the group attractiveness.
5. The degree of prestige of a group, as interpreted by the members will determine the degree of influence the group has over its members.
6. If any attempt is made to change any individual or some individuals which deviates the group norms there is likelihood of the change attempt being resisted by the group.