Managing Change in Organizations
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Lecture – 04
Types of Change (Contd.)

Hello everyone, so, we are going to continue our discussion on incremental and transformational change. You remember in the last class we have been talking about theory of punctuated equilibrium and the discuss discussion was there that when we are moving from incremental change to radical change sometimes this spikes that is created by reactions are sudden changes which comes to be known as incremental changes. So, from incremental changes to what you call a radical changes. So, we will continue our discussion further in this direction and discuss some other issues related to these two kind of changes.

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Now, if you look at this equilibrium that we have been talking about, now you can see that we have been talking about this equilibrium here and see that these are sudden spike that comes out and then again continuous changes happens and again there is a sudden spike. And then again the incremental change happens.

Now, the question that is being raised is that whether we could continue to have this kind of equilibrium without having and spike. So, the idea is that is it possible for managers to

break this pattern of punctuated equilibrium or not. So, it is possible only if they are not going to react to the changes that is happening to the environment. The idea is that they should continuously scan the environment and see what is happening and accordingly keep on making certain changes on a continuous basis. Which they keep on change making changes on a continuous basis then we can say that yes this kind of equilibrium will not be there and then we are going to have a something like this is showing something that is a continuous equilibrium right.

So, continuously adapting the changes and moving upwards that is you are trying to improve you are system, structure, processes, culture and technology by bringing about certain change and as an environment required by looking at those issues which is coming from the environment. Now, if you are able to break this equilibrium, then it can be said that you are going to be more proactive not reactive.

If you are reactive it means something is happening in the environment and then you are react into this environment. And if a reacting then this kind of a spike would be created. There is a sudden jump and this is a result of the reaction. And this reaction would also be required because you need to transform your organization right.

So, sometimes it is not under your control and you need to react, but most of the time what happens you need to ensure that there is a continuous increment that happens in terms of changes that is happening right. So, when we are asking this question that whether we can break the equilibrium, yes, we can very much break the equilibrium provide where able to correctly predict the environment and the factors which are going to affect the organization.

So, in some cases if you are not able to predict those factors which are going to affect our organization, then sometimes this kind of change is inevitable and you need to go for transformation changes. But, in most cases it does not happen, and you continuously adapt and try to improve upon the things, so which is shown here. They see the continuous graduation increment is the happening here so, the continuously improving and trying to perform a job very well.

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Now, the next question is that how we go about to continuous adaptation? As I told you that if are in a position to continuously adapt to the environmental factors, then it is possible. So, forward what is required, you need to see that you have a thorough understanding of those environmental factors which are going to affect the organization. And on a continuous basis you are scanning and environment, identifying those factors looking at your domain in which you are working and see what kind of changes required on a regular basis or continuous basis.

So, if you are acting like that design would be called an adaptive organizations. Adaptive organizations means which are continuously adapting to the changes that is happening in the environment. So, if become and adapting organizations, then you always experience continuous change right, because on a regular basis you have been scanning our environment, identifying the domain and then accordingly working upon that ok. So, basically this kind of change that happens is prescribed or described as in the gradualist paradigm. Gradualist paradigm is nothing else, but well with gradually keep on moving and changing the things in the organization depending upon the requirement of the organization as a result of the trigger that is coming from the environment.

So, if you are going for continuous adaptation, then you need to engage in certain activities and that is what the next thing that we are going to discuss is it requires organization to is engage in repeated patterns, repeated activities of things and this

includes improvisation. Improvisation is what? So, suppose you have been adapting certain work processes a systems. So, you need to see whether the system is working effectively or not whether it is efficient or not. So, if the system is not working efficiently, and the process is not working efficiently, then I need to go for change in the process. And this kind of change in the process need to be done on a continuous process. So, if you keep on modifying your system structure and processes, so this is a case of improvisation.

For example, we have developed a structure for organization which is functional. Now, the organization is growing, now you know that this functional structure is not would not be appropriate. So, you go for restructuring in the organization right. So, in the process of restructuring, what to do you will see that in what you can make this structure more efficient, so that there is a better coordination vertically and horizontally right. So, you go for some kind of restructuring, and from functional you move to some other kind of structure, may be division based, maybe product based right or you move from a vertically structure to horizontally structure right. So, if you are going for this kind of change is then this is know a improvisation.

So, take another example of recruitment practices. So, if you look at recruitment practices and find that recruitment practices not cost effective as you are not able to get good candidates for the organization, then differently you need to modify or recruitment practices. So, you need to assess or recruitment practices and see what kind of changes you need to brought in, how can you make it more effective, more efficient, more cost effective right.

So, suppose you want to introduce technology and you are going to an online recruitment system to make it more cost effective. So, this is the kind of improvisation that you want to make in the work practices right. So, if you go for a regular modification of work practices, then you do not need to go for a sudden change or transformational changes.

Then second part is translation this translation is basically involves the editing this involves basically editing and imitations idea as they travel through the organization. What does it mean to say is that when you are going for continuous adaptation, it means that you tried to see that what other organizations are doing at what other people are following through imitating those ideas which are effective for the organization.

So, if anybody is coming out with a good idea, then you see that whether this idea can be translated into reality are not. Suppose, somebody in the management the from the worker side suggest certain changes, then he comes out with idea that if you do it like this then probably will be more effective, then you must look into this idea that whether this idea could be further translated into reality or not. So, whenever these ideas are coming, then you keep on testing them translating them into reality this would help you to go for more continuous adaptation.

And then learning and new insights that is very important because, organizations always learned from their parts. So, see that how the way you have been doing business, the way you have been handling problems, see what the kind of opportunity that have been available in the past. And then you this kind the environment you see what kind of opportunities are their how you are going to look at the problems that you have underline the past. And see learning that has come from problem solving how those learning can be use to solve problems in the future ok.

So, the kind of learning that happens in terms of experience is intuitions, judgments that organizations make could be used to facilitate change to see that in what way organizations can improve their efficiency and affect the efficiency to ensure that there is a better productivity that are performance of the organizational side. Everyone is happy there is stakeholder, so that is people or employee in the organization or even the organization in the management.

So, the organizations continuously need to learned from their past also identify ideas about the future and see and work upon those new insights which has been emerging out of those learning experiences. And then make use of them to ensure that this is going to help them to go for more continuous adaptation not moving to more transformational changes.

Now, there are certain exceptions, where we do not get this kind of equilibrium. It means that they certain organizations who continuously improvise modify, test new ideas try to become more innovative improvise themselves. So, this kind of punctuated equilibrium does not happen for them it means they do not experience the kind of reactions as spike in the pattern change that happens and that we have discussed in the past. It means there it is a more continuous is like this going straightaway. This you know spike like this one as you have seen earlier.

Now, where you can find this kind of exceptions in equilibrium? Especially, if you look at those learning organizations, so when we are talking about learning organizations they are the they are identified as those organizations who continuously innovate and improve themselves in term of their processes, in the systems right, the structure, the culture. So, what they do basically they continuously innovate and improve, and these organizations are called learning organizations right.

So, learning organizations basically learned from what is happening in the organizations through the systems, processes, they have a feedback system also right. So, this is basically related to what we call organization learning. So, how organizations learn? Organizations collectively learn through teams, through individuals, through systems and processes, and then the try to continuously adapt and improve themselves. So, they come up with new product, new systems, new processes ok. And they continuously do it

because learning organization is not something that we called in the state. Suppose, today in organization if it is called a learning organization not necessary that tomorrow it is going to be called a learning organization.

So, if the learning organization will continue to be a learning organization only even they continuously improve a innovate themselves. The indication that organizations we have been in the top 50 or top 100 organizations in terms of the ranking have gone down because later on they did not go for continuous improvement and innovations ok. So, it is very very important for organizations to continue to remain at the top and it is possible when only when they continue to remain as learning organizations that is going for improvement and innovations.

But this kind of organizations are very few who go for experimentations, innovations, they try to learn as much as possible to bring about change in the products and services to ensure that they remain competitive and viable in the market. So, if they are behaving in this manner, then definitely they would not like to experience they would not experience any kind of spike. And they would follow the gradualist paradigm where they continuously try to adapt and improve themselves.
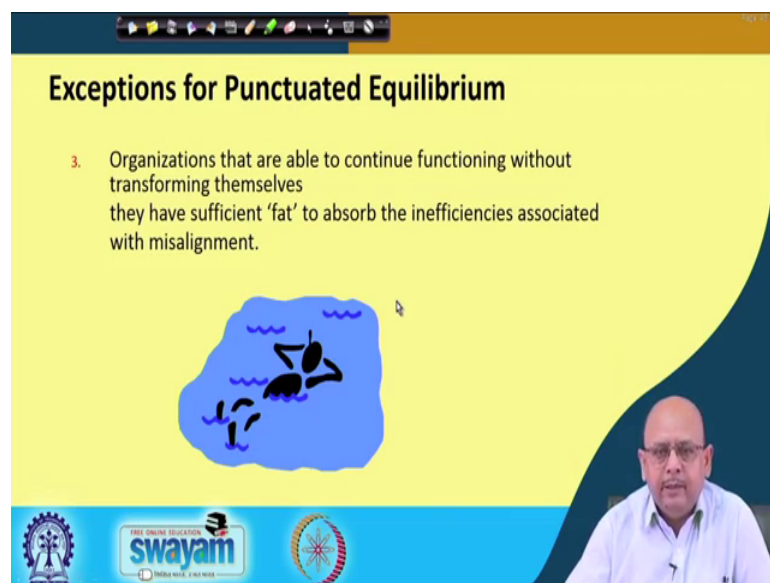
Now, this another exception for punctuated equilibrium especially for those companies which operates in niche markets or in slow moving circuits. The reason that these companies do not experience punctuated equilibrium or they do not go for more transformational change at any point of time, they follow continuous improvement is because the kind of environment in which they are operating does not change this much ok. So, if the environment is not change, they are working in environment that is more stable less dynamic. And if there working in such environment and what will happen, they does not require any kind of change and the structure system of process right.

So, the changes basically the pressures or the triggers for the change come from the environment. Now, if the environment is not changing and the factors which are affect in the environment, it remains stable, or the frequency of those factors which go for these kind of changes is not their I mean how frequently these environmental factors keep on changing the technology. If the technology is stable, they do not need to go for a change. If the economic environment say social culture environments say consumer stress and processes does not change or it is very slow movement towards the change, then what

will happen it means that even you continue to work in the similar fashion and there is no point going for a change are anything like that**.**

So, these kind of organizations who are operating in slow moving markets or in niche markets where there is not much change. They do not counter any kind of change related to the environment, and there is no transformation in their basic structure system and processes. So, they continue to work in the similar way. So, they do not pace any kind of equilibrium that could be punctuated by spikes.

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Now, the third one is those kind of organizations which can absorb fats. What I mean to say that those organizations which are well of which are very financially very sound right, which can function without transforming themselves, they also go for gradual changes, because they have sufficient fat to absorb. The financially very good, but if some of the units are not working effectively, even if there is a loss or some of them or not inefficient sorry efficient, the inefficient, they even then is does not better much.

Especially some of the big organizations which have multiple units this kind of experiences seen, where some of the units are doing very well they make profits, but while some of the units do not make very well. But, since organization is able to observe these kind of inefficiencies, it does not matter and they do not go for a change right. Whether it is good or not that is a different thing because maybe for how long you keep on observing fats that is another question that will come out ok.

Because, most of the organizations in today's competitive environment need to remain lean and thin, otherwise they would not be able to compete. So, even if you have lot of fat to absorb, absorb the inefficiencies, it would takes only some time for you to go out of your business. So, it is very, very important for these organizations to realize the need for change, so that even if they can absorb inefficiencies they are able to transform them to ensure that they continue to remain competitive right.

So, sooner or later, they are going to transform themselves. The point is that it is always good that as early as possible they are able to realize that yes the fat is not going to loss long enough and they one day they need to go for some kind of transformational changes. They should go for it. Otherwise if they do not realize they keep on observing efficiencies and since they have enough financial banking, they continue to do this things in the similar way.

But eventually what happens how long this fats are going to help them to remain competitive, the day will come that they will not remain competitive ok. So, after discussing these this equilibrium which we have been discussing in these last two sessions that how is happens.

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Another concept that we would like to discuss here is known as strategic drift which is related to what we have been talking about exceptions related to punctuated equilibrium. So, when you have been talking about punctuated equilibrium, you have seen that you

have been seeing that if your continuously modify, continuously improve and innovate yourself, then this kind of sudden spike is not experience by your you continue to do like this right.

So, what happens if you are not able to go for with the changes, you are not able to recognize what is happening your immediate environment ok. So, the concept of strategic drift basically talks about in event or a phenomena where organizations are not able to keep pace with the changes in the environment. So, the reason is that they do not withstand the environment, they do not find what are the factor which are changing and how the changing factors of the environment are going to influence them.

So, if you are not going to take care of the environment and follow them to bring about certain changes, the result would be what you are slow and gradual demise. You continue to remain reactive for some time, but ultimately what happens it goes down. Now, if you look at this, this actually shows strategic drift. So, what happens it is there, but after that you have an incremental changes are not possible.

The reason for this kind of strategic drift is that forms do not asses there environmental factors on a regular basis. So, if you ignore the change that is happening in the external environment that is social, political, cultural, economic, technical environment, then you cannot keep pace with the changes that is happening in the environment.

So, what happens if you are not going to keep pace with the changes that is happening in external environment, you do not adapt them, you because you are not in a position to adapt because you lag behind right. For say for example, your technology you do not go for a change in your technology, while other companies, the other organizations in the similar sector have improved a modified the technology a lot which has brought efficiency to them.
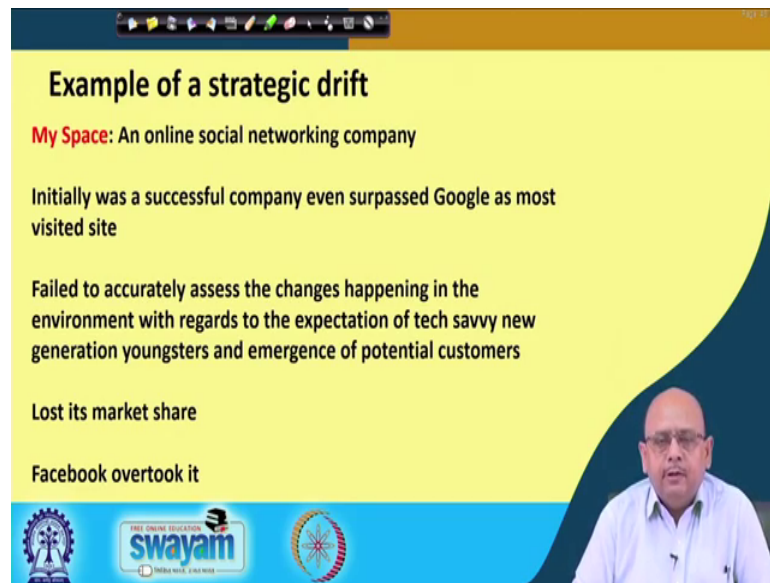
At since you have been doing well you think that it is to continue with the same technology, then what will happen to you. You are not you will not be in a position to compete with your competitors because they have been able to bring more efficiency through technology which you have not been able to do it ok. And then you think about your survival.

So, what will happen you will not be able to survive even because nobody is going to by your product is services because of the efficiency that you have created right. Look at some of the Indian organizations, which have not been able to match or they are not been able to see what kind of changes are happening in the environment, how competitors are behaving, what kind of products and services they are offering. And if you are not able to compete with them, then this is going to have a look at any sector aviation, telecom, consumer durables, in all kind of sectors you can find such examples where the companies have not been able to perform well because they have not been able to look at the triggers and the environment.

Say at one example that I can take is HMT versus Titan. HMT did not go for examining the external environment see that how the consumer stress and preferences towards watch is have changed. And they did not bring about any kind of innovations in the technology. Off late they went they move from what you call from analog to digital watches, but that is that you are not successful.

Now, if you look at this examples, what this suggest that these compalies companies have not been able to keep pace with the changes that is happening in the immediate environment, and eventually this lead to gradual decline or demise of the company. So, if you are slow or if you are not able to scan the environment properly, if you are not in a position to decide the need for the changes right. So, you try to react at a later stage, but you are not successful. So, the idea of this concept is that you need to be proactive to your environment to ensure that your remain viable and competitive. And our products or services through which you can be productive.
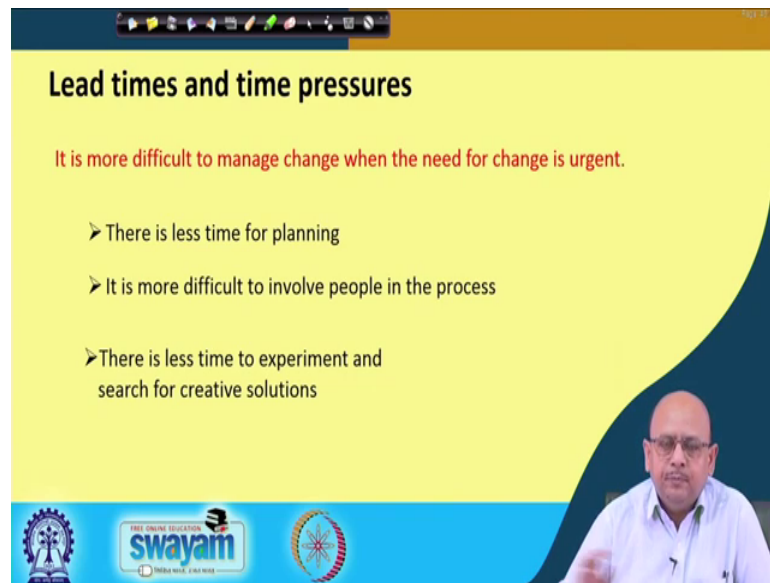
Now, this example that I have given here is company known as My Space which was an online social networking company. It was a very successful company is to start with even surpassed Google as most visited site at one point of time. But what happened look at the Google and My Space today. My Space could not accurately the assess the changes which was happening in the environment with regards to the expectation of the technology savvy new generation youngsters ok, and the potential customers which were moving there.

Ultimately what happens is it lost it is market share to Google ok and ultimately the Facebook overtook it, I think the post Facebook was the major challenge. So, for My Space it was a strategic drift eventually decline and gradual demise happen in this case right. So, I think everyone have enough example to explain this concept.

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Now, related to this is that other concepts let us discuss about it like lead time and time pressure. So, if you are not waking in time, then what will happen it is always a lead it right. So, you need to respond to the challenges well in time right, so that you can plan for the change you can do things which is required right. So, it is very difficult to change or manage change you can say when the need for the change is urgent right.

Suppose, if you want to bring about a change in technology say to accelerator which other competitors are using, then is it possible for you to compete, no. So, there is less time for planning ok, it is more difficult to move people in the process because people you need to convince and take them into confidence that we are going for this kind of change, why we are going for this kind of change and you do not have time to experiment and know it with right.

So, you also have enough time to ensure that were able to understand the environment and take in a appropriate action. If you do it in hurry, then you will not be able to properly plan properly, you will not be able to take people along with you and then it is not going to be very very successful right.

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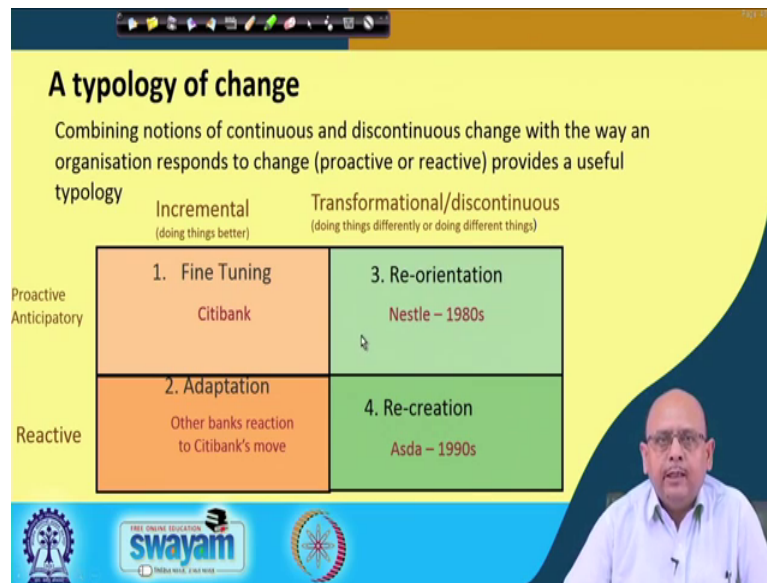
Now, I am going to discuss about a typology which talks about continuous and discontinuous change right. And then whether we are going to act in a proactive way or a reactive way. See so if you look at this on this side we have incremental and transformational change that this continuous changes and this side we have proactive and reactive change. What happen, if we are going to be incremental and proactive than you go fine tuning right. Like the example that is given have Citibank, what Citibank did they try to change the system structure and processes on a continuous basis by looking at the environment, by looking at the customer needs and expectations, and how they see that how technology could be used in time to ensure efficiency right.

Now, look at another example. This is again related to proactiveness, but it is what we call is transformational or discontinuous changes like Nestle. Nestle was in other business, then later on they move to different kind of businesses. So, in 80's they try to reorient them to a different kind of business altogether. So, they went for a total transformation the organization. They understood the need of time when then try to change themselves right. So, this is what we call being proactive and going for a transformational change.
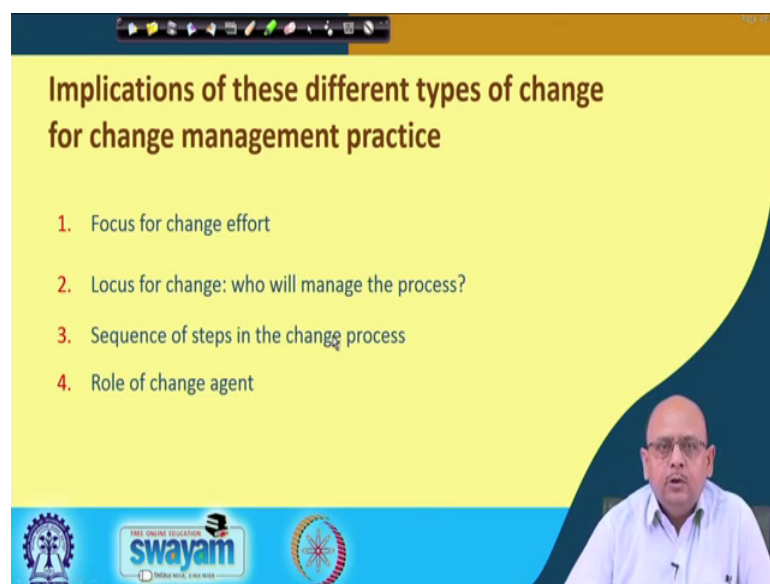
The third one is incremental and reactive, where others are changing and then you try to adapt to this changes right. So, one company has gone for a one kind of technology. So, you also think that you should go for this kind of technology, so but it is a reactive move

where you are trying to adapt to this right. So, when Citibank went for internet banking and they Citi went for you can say automated teller machines to start within the beginning, other banks also followed the suit right, because Citibank had the first mover advantage in this case right. So, other bank also adapted what this.

Once they adapt is then this does not provide any advantage to Citibank. But if you continuously keep on improving and noting yourself, then others are going to follow you only right and then you remain competitive. Now, in transformation and reactive changes are was kind of changes like ASDA motors ok. In this case what happens you are not proactive, you do not look at the environment what is happening and then you ultimately what happens you go for a total transformation. You recreate business because you change everything at the same time, because now you find that it is impossible to work with the current status system, structural structure technology process culture whatever you have.

So, you go for total transformation of organization changing everything including products and services that you offer looking at technology that you have like they kind of systems and processes that you have adapted. So, what ASDA motors they that they try to recreate themselves and try to identify different identify them by going for a total transformation. So, I hope that this typology would be able to help you to explain that what kind of changes are good and what kind of changes are not good.

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Now, moving further what are the implication for this kind of changes, for change managers. Now, if you look at the implication for change managers, we will have four different points that we need to discusses that what is the focus for change effort and who is the locus of change who will manage the process. And then what would the steps in the change process and finally what is the role of change managers are changes in the process. So, one by one we will take up very gradually.

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Now, if you look at the focus of the change effort, what is the focus. If you are going for a discontinuous or transformational change, then you need to the focus of the change effort did not just a part of the organization. It is in it is totality and the entire organization is going to be the focus of the change effort right. So, the outcome is that you are going to make different things do different things or doing things differently. There are two things that is does things differently are doing thing different things.

So, you move to do different things, because the way you have been doing things earlier was not successful right. So, the focus of the change effort if are moving to transformational changes bringing about changes in all is offer activities systems, structure, culture, technology, even products and services that you have been offering right. And then now you look at this which shows, see we are talking about the input that is coming, the change is where it happens in the structure technology, task, people and the output that you have right.

So, everything is changes. The input changes, the structure goes for a change, the systems and processes as a change you also bring about a change in the people attitude and behavior that you bring about a change in the culture so, that the output that you have is meeting the expectations of the external customers. And you also need to see that you have bring about a change in the structure, it also needs realignment with other elements of the change right.

So, it is very very important to ensure that you are able to go for a better configuration of these things. So, that you are able to produce an expected outcome for the organization. This is what actually changes in the organization which will research in the next chapter. We will talk about the scope of changes, but here what I am trying to tell you that these are this is where the changes happens. So, the focus of change effort is either structure, task, culture or people, if you are going for a discontinuous change, but if discontinuous change you go for changing everything right.

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Now, moving to the next part what is the locus of change? That is basically the intensity. The intensity of change you see with that is least intense or most intense. In incremental change it is least intense right and transformational change, it is most intense right. So, you move just from fine tuning to adapting, the reorienting and the finally to recreation. Recreation means where you go for total transformation of the changes right

So, this is you move from incremental to gradually transformational change right. So, if the intensity of the change depends upon what, whether you are acting proactively or reactively, how much stress is there for you to change right, and what is the trauma that is associated with the change ok.

Now, the thing is that the leadership has to decide what kind of changes they need to bring in, continuous changes or discontinuous changes depending upon the requirement, and these are the different kind of changes that might happen as you have discussed in the typology right.

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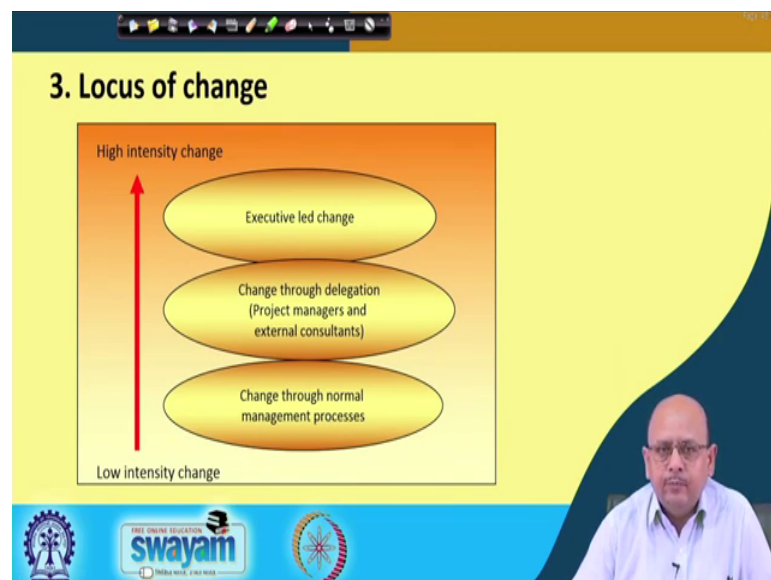
And finally, them if you look at the locus of change, yes whether change in the management process is going to be there or you want to go through empowerment and delegation to ensure that yes people are happen satisfied or you are you taking external consultants and their help to see that what kind of change can be brought in or the change is going to be led by the top managers right. So, most of the time we will find that high intensity change are carried out by the top managers. While lead low intensity change is carried out by the normal management processes at the level at which the people are working right.

So, we have discuss about continuous and discontinuous change. So, you can see that look at the sequence of exchange ok. This is the sequence of change which have been discussed in the literature. And it suggests a three step process, starting with unfreezing, moving, and finally refreezing. So, unfreezing what happens that yes the certain forces which allow you to go for a change right unfreeze. So, unfreezing will not happen unless you maintain the status quo right.

Then next is moving. So, from one state to another state, so this is the current state and this is the desired future state and that is where you move are try to transform either through incremental change or transformational changes to refreeze yourself right. So, the refreezing what happens you consolidate the change. And moving what happens you try to achieve to go there and then the processes and other things that you use is related to moving, how you move from this stage to this stage right.

So, this is a sequence of change you move from one state to another state using certain vehicles through which tools and the equipments through which were able to institutionalize and consolidate the change that you want to bring about a in the organization. For example, if you think that your structure is not good, so you see that what are the forces which are restraining you to go for this. And if restraining forces are high, then you do not go for a change, you do not unfreeze. If restraining forces are low, then you go for unfreezing ok. You need think that yes if there is a need to bring about a

change in the structure. And then you saying what kind of structure you will be appropriate, all this is part of what you call moving. And then once you have decided about a structure, so you freeze it ok, this is the new structure of the organization right. So, these are the three kind of stages that you have been talking about.

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Now, see what actually happens the different stages. Those firms which are working in high velocity means those environments which are changing very fast they keep on doing this on a continuous basis, freezing, rebalancing and unfreezing. So, this is a different kind of sequence that have been suggested this is that it is not that you are going to have freeze yourself this is how is were. So, as a cyclical process once you have freeze, then again there is a change you take a stock of the situation you think whether this structure is working or not, then again you move rebalance yourself. See what needs to be done, whether you need to again go fast some kind of restructure emphasize and then again unfreeze.

So, instead of this kind of sequence of change which we discussed earlier unfreezing moving and refreezing. Some of the authors have talked about that it is better to follow this kind of structure freezing, rebalancing and unfreezing right. And with this with help of this we continuously modify an improve your the organization right.

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Now, the most important the final thing that we are going to discuss arise the role of change agents right. What the change agent start doing because they are the prime movers, who initiate and manage the change right. So, if they continuously keep stock of the situation and the environment, definitely it is it will make sense and they would be in a better position to interpret and sense change. And also convince the top management take people along with them to ensure that changes implemented successfully ok. So, the role of change management is very important.

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So, conclude this a first week of module what we discuss here is the nature of change, various perspectives and image of change manages and the different type of change is especially in detail we talked about two kind of changes that is incremental and continuous changes and associated things related to these two kind of changes.

Thank you very much.