Managing Change in Organizations
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Lecture – 05
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 discussed discussion was there that when we are moving from incremental change to radical change sometimes the 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.

(Refer Slide Time: 01:04)

Now, if you look at this equilibrium that we have been talking about, now you can see that we had been talking about this equilibrium here and see that this is the sudden spike that comes out and then again continuous changes happens and again there is a sudden spike and then again they incremental change happens. Now, the question that is being raised is that whether we could continue to have this kind of equilibrium without having any spike.

So, the idea is that if 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. So, 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 you are going to have a something like this. This is showing something that is a continuous equilibrium all right.

So, continuously adapting the changes and moving upwards that is you are trying to improve your 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 your reactant to this environment and if a reacting then this kind of 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 all 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 all right. So, when we are asking this question that whether we can break the equilibrium yes, we can very much break the equilibrium provided you are 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 a new table and you need to go for transformational changes. But in most cases it does not happened 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, your continuously improving and trying to performer your 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, for what, 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 to changes would required on a regular basis or continuous basis.

So, if you are acting like that design would be called and adaptive organizations. Adaptive organizations means which are continuously adapting to the changes that is happening in the environment. So, if become an adapting organizations, then you always experience continuous change all right because on a regular basis you have been scanning or 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 when we 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 organizations to engage in repeated patterns; repeated activities of things and this includes improvisation is what.

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

For example, we have develop the structure for your 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 a structure in the organization all right. So, in the process of a very structuring what to do you will see that in what way you can make these a structure more efficient. So, that there is a better coordination vertically in horizontally all right. So, you go for some kind of restructuring and from functional you move to some other kind of a structure maybe division base, maybe product base all right are you move from a vertically structure to the horizontally structure all right.

So, if you are going for these kind of changes then this is known as improvisation. So, take another example of recruitment practices. So, if you look at recruitment practices and find that recruitment practices is not cost effective as you are not able to get good candidates for the organization, then definitely you need to modify your 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 all right? So, suppose you want to introduce technology and you are moving 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 all 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 the 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 try 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 or not. Suppose somebody in the management or the from the worker side, suggest certain changes then they comes out with idea that if we do it like this then probably will be more effective, then you will must look into this idea that whether this idea could be further translated into reality or not.

So, whenever that this 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 ok. Because, organizations always learned from there pass. So, see that how they you have been doing businesses, the way you have been handling problems, see what the kind of opportunity that have been available in the past and then you scan the environmental see what kind of opportunities are there, how are going to look at the problems that you have handle in 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 effect efficiency to ensure that there is a better productivity better performance of the organizational side, everyone is happy whether it is stakeholder. So, that is people or employee in the organization or even they 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.

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Now, their certain exceptions where we do not get this kind of equilibrium. It means that they are certain organizations who continuously improvise modify stress new ideas try to become more innovative improvised themselves. So, this kind of punctuated equilibrium does not happen for them. It means they do not experience the kind of reaction as spike in the pattern of change that happens and that we had discuss in the past. It means it is a more contiguous changes like this going straight away this know spike like this one as we have seen earlier.

Now, where you can find this kind of exception and equilibrium? Especially if you look at those learning organizations; so, when you are talking about learning organizations they are, they are identified as those organizations who continuously innovate and improve themselves in term of their processes, in their of systems all right their structure their culture. So, what they do basically? They continuously innovate and improve and these are organizations are called learning organizations all right. So, learning organizations basically learned from what is happening in the organizations through the systems, processes; they have a feedback system also all right.
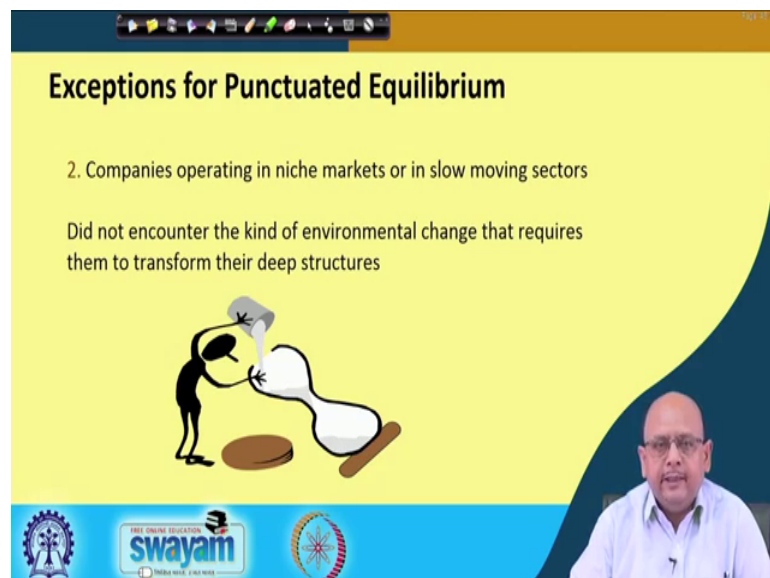
So, this is basically related to what we call organization learning. So, how organizations learn? Organizations collectively learn through teams, through individuals, through systems and processes and then they try to continuously adapt and improve themselves. So, they come out with new product, new systems, new processes and they continuously

do it because learning organization is not something that we call and another state. Suppose today in organization if it is called a learning organization not nesses that tomorrow it is going to be called a learning organization.

So, if the learned organization will continue to be a learning organization only when they continuously improve and innovate themselves. The indications that organizations who have been in the top 50 or top 100 organizations in terms of their 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 these 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 will 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.
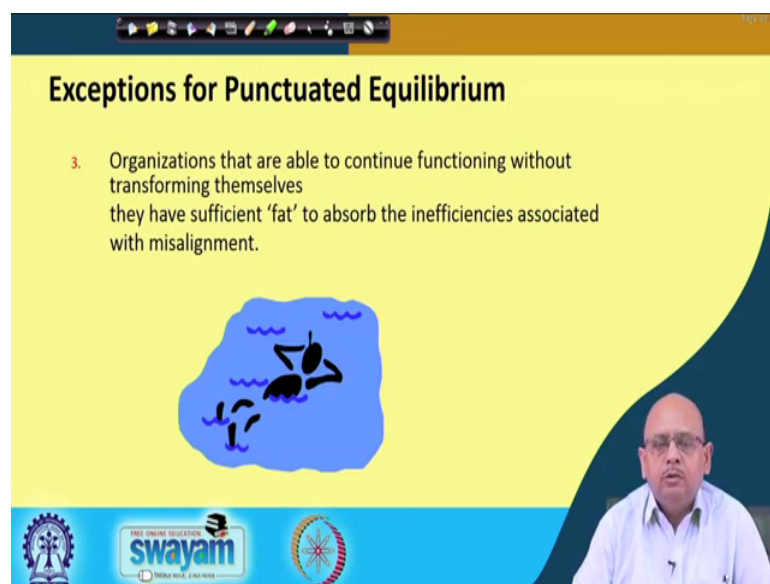
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Now, this is another exception for punctuated equilibrium especially for those companies which updates in niche markets or in slow moving circuits ok. The reason that these companies do not experience punctuated equilibrium or they do not go for more

transformational change at any point of time, they follow continuous improvement is because the kind of environment in which their operating does not changes much ok. So, if the environment is not change, their working in environment that is more stable less dynamic and if their working in such environment then what will happen they does not require any kind of change and the structure system a process all right. So, the changes basically the pressures or the triggers for the change come from the environment.

Now, if that environment is not changing and the factors which are affect the environment it remain stable are the frequency of those factors which go for this kind of changes is not their. I mean how frequently these environmental factors keep on changing. So, technology with that if the technology is stable then, do not need to go for a change if economic environment say social culture environment say consumer stress and processes does not change or there 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 encounter any kind of change related to the environment and there is no transformation in their basic structure system and processes. So, they continue to do work in the similar way. So, they do not face 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 all 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 are not inefficient sorry efficient the inefficient, they even then it does not better much.

 Especially some of the big organizations which have multiple units this kind of experience is scene 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 absorb these kind of in efficiencies it does not matter and they do not go for a change all right; whether it is good or not that is a different thing because maybe for how long you keep on absorbing 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 a lot of fat to absorb the inefficiencies it would takes only some time for you to go out of our business. So, it is very very important for these organizations to realize the need for change so, that even if they can absorb inefficiencies there able to transform them to ensure that they continue to remain competitive all right.

So, the sooner or later they are going to transform them. So, 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 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 absorbing efficiencies and since they have enough financial backing, they continue to do things in the similar way. But eventually what happens, how long this fats are going to help them to remain competitive? They will come that they will not remain competitive ok.

(Refer Slide Time: 18:30)

So, after discussing these this equilibrium which have been discussing since last two sessions that how is happens. Another concept that you 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 we are you have been talking about punctuated equilibrium, you have seen that you have been saying that if your continuously modify, continuously improve and innovate yourself then this kind of sudden spike is not experience by you continue to do like this all 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 a 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 this kind the environment, they do not fine what are the factors which are changing and how these 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 your slow and gradual demise. You continue to remain they reactive for sometime, but ultimately what happens it goes down.

Now, if you look at this actually shows strategic drift. So, what happens? It is there, but after that you even incremental changes are not possible. The reason for this kind of a

strategic drift if is that firms do not assess their environmental factors on a regular basis. So, if you ignore the changes 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 the external environment, you do not adapt them you because you are not in a position to adapt because you lag behind all 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 are not which has brought efficiency to them.

And since you have been doing well you think that it is to continue with the same technology, then what will happen to the 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 and then you think about your survival. So, what will happen? You will not be able to survive even because nobody is going to buy your products and services because of the efficiency that you have created all right.

Look at some of the Indian organizations which have not been able to match or they are not being able to see what kind of changes are happening in the environment, how competitors are behaving, what kind of products and services there offering. And if you are not able to compete with them then this is a going to have a; look at any set aviation, telecomm 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 and 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 let they went; they move from what you call from analogue to digital watches, but that is that was not successful.

Now, if you look at this examples, what this suggest that these 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 a say scan the environment properly. So, you are not in a position to decide the need for the changes all right. So, you tried 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 you remain viable and competitive and offer products or services through which you can be productive.

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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 to start with even surpassed Google as the 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 regard to the expectation of the technology savvy new generation youngsters and the potential customers which we are moving there.

Ultimately what happens is it lost it is market share to Google and ultimately the Facebook overtook it. I think the Facebook was the major challenge. So, for My Space it was a strategic drift eventually decline and gradual demise happen in this case all 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 all right. So, you need to respond to the challenges well in time all right so, that you can plan for the change, you can do things which is required all right. So, it is very difficult to change a manage change you can say when the need for the change is urgent all 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 all right.

So, you also have enough time to ensure that you are able to understand the environment and take in a appropriation. If you do itinerary, 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 all right.

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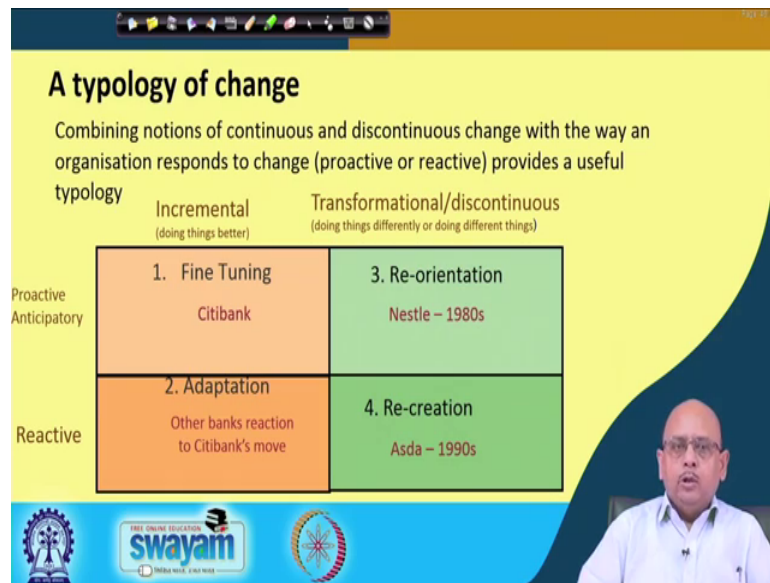
Now, I am going to discuss about a typology which talks about continuous and discontinuous change all right and then whether we are going to act in a proactive way or a reactive way. See so, if you look at this on this side we have incremental and transformational change that this continuous changes and this side we have proactive and reactive change. What happen? If we are going to be incremental and proactive, then you go fine tuning all right like the example that is given here a 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 all 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 the later on they move to different kind of businesses. So, in eighties 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 all right. So, this is what we call being proactive and going for a transformational change.
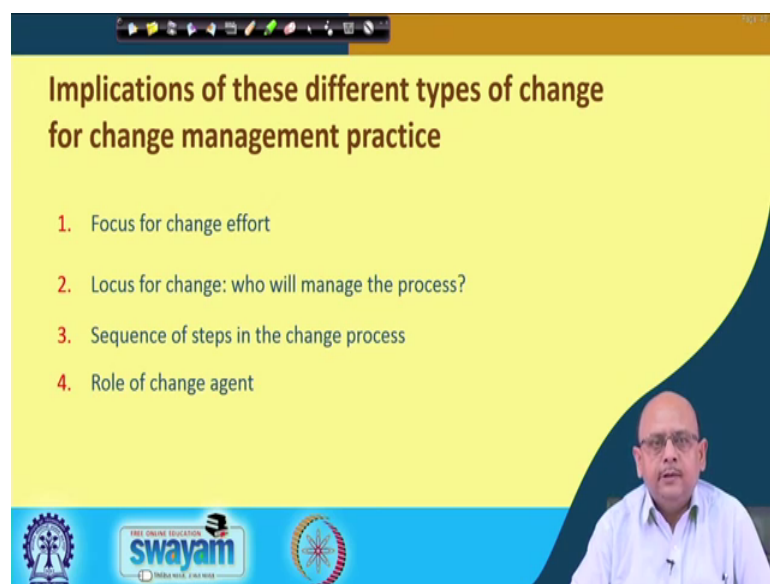
The third one is incremental and reactive where others are changing and then you try to adapt to these changes all right. So, one company has gone for a one kind of technology. So, you also think that you should go for this kind of technology so, but it is a reactive

move where you are trying to adapt to this all 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 all right because Citibank had the first mover advantage in this case all 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 the worst 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 the 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 your technology that you have like the kind of systems and processes that you have adapted. So, what ASDA motors did that they try to recreate themselves and try to identify different identify far 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.

(Refer Slide Time: 28:59)

Now, moving further, what are the implications for this kind of changes for change managers? Now, if you look at the implications 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 all right. So, the outcome is that you are going to make different things, do different things are 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 all right. So, the focus for 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 all 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 you 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 all right.

So, it is 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 all 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 whether it is least intense or more 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 all right.

So, this is you move from incremental to gradually transformational change all 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 all 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 we have discussed in the typology all right.

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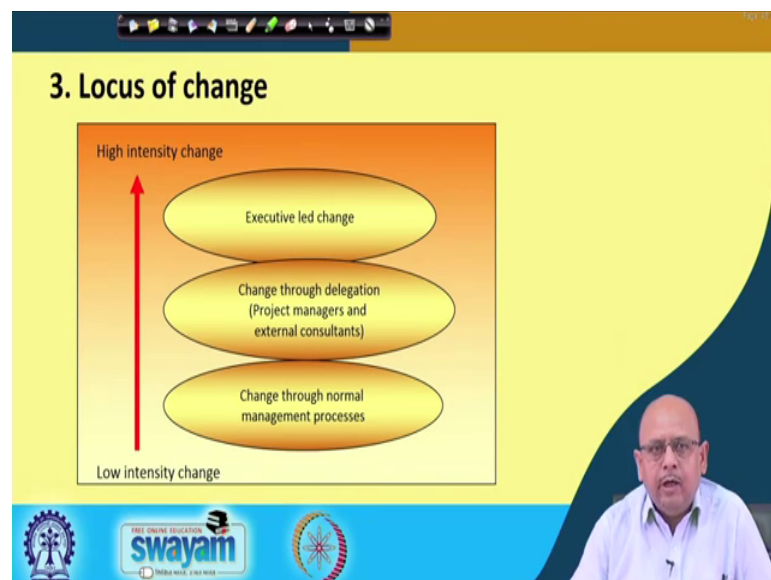
And finally, the if you look at the locus of change, yes whether the change in the management processes is going to be there or you want to go through empowerment and delegation to ensure that, yes people are happen satisfied or you are you taking external consultants and their help to see that what kind of change can be brought in or the change is going to be led by the top managers all right.

So, most of the time we will find that high intensity change are carried out by the top managers while led low intensity change is carried out by the normal management processes at the level at which the people are working all right.

So, we have discussed about continuous and discontinuous change. So, you can see that look at the sequence of change 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 all right so, unfreeze.

So, unfreezing will not happen unless you maintain the status quo all 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 all 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 we are 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 had, then you do not go for a change you do not unfreezes. You have 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 this is the new structure of the organization all right.

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So, these are the three kind of stages that you have been talking about. Now, see what actually happens the different stages? Those firms which are working in a high velocity means those environment which are changing very fast they keep on doing this on a continuous basis freezing, rebalancing and unfreezing. So, this is the different kind of sequence that have been suggested. This is that it is not that you are going to have freezed 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 all right.

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And with this with help of this we continuously modify an improve your the organization all right. Now, the most important the final thing that we are going to discuss arise the role of change agents all right. What the change agents are doing because they are the prime movers who initiate and manage the change all right. So, if they continuously keep a 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 understand change and also convince the top management take people along with them to ensure that changes implemented successfully ok.

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So, the role of change management is very important. So, conclude this a first week of module what we discussed 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.