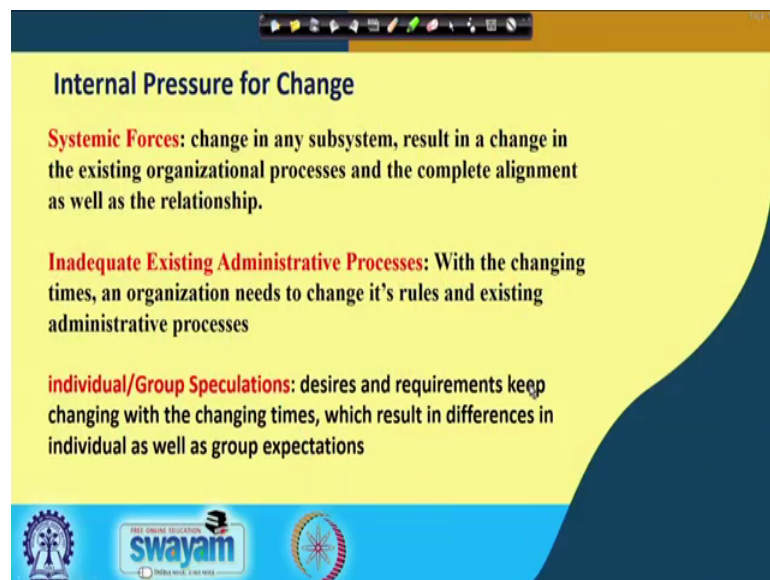**Managing Change in Organizations**
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Lecture – 07
Need for Change (Contd.)

So, welcome you to the 2nd session on Need for Change and in the 1st week we discussed about the nature of the change. And in this week we are talking about the need for change and the scope for change. In this continuation in the last session, we talked about the pressures for change and there we had discussed about the various external environmental pressure that triggers change.

In the same continuation, now we are going to discuss about the internal pressure for the change and then what are the scope and different kind of changes that happens. So, what we are going to discuss in this session is that in what are the internal pressures for the change.

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Now, when we are looking at to the internal pressure for the change, it could be related to a certain factors which we are going to discuss now plus also look in to the internal environmental pressures also. So, we try to differentiate between internal environmental pressure and internal pressure here. Now when you are talking about internal pressure for change it means that it could be classified or categorized into certain factors or parameter

which could be related to various factors. Now to start with we are going to talk about those forces which are related to the system or sub system of the organization.

Now, what actually happens that if you try to bring about any kind of change in any particular system, it also results in the changes in other systems and process of the organization. It means if you go for a change in the structure, then it also require changes in other activities or suppose you want to go for a change in the strategy of the organization, then accordingly you need to realign you are the strategy.

So, that you are able to establish a relationship between the strategy and structure right. For example, when you are going to a look at your strategy based on the environment right. So, what you have done there? You have tried to align your strategy depending upon the kind of environment you are operating in so, your strategy is dependent on the environment.

Similarly, when you are talking about the structure, structure may also be dependent upon the strategy of the organization. So, you need to go for realignment. So, these kind of systemic forces which basically relate to the change in any system cause for changes at the system so, and then you go for some kind of a realignment. Some of the change are also a part of the administrative process also was you know that when the changes happens ok, the need of the organization also changes in terms of administrative functioning, rules, regulations that have been done by the organization right.

So, remember that you know the government has been transits these 2 5 days working week. Sometimes they also change a the working hours depending upon the requirements. So, these are basically the administrative rules and regulations ok. So, if they find that is administrative rules and regulations are not adequate currently. So, you go for a change in the rules and regulations to smoothen your administrative process so, that it helps you to perform well right.

 In addition to administrative processes you also look at the individuals and groups. I mean what I am talking about the individuals and groups in terms of their needs and expectations, they also keep unchanging. With the time, you will find that individuals have different kind of expectations even the group find different kind of expectations. And the changes in the expectations are in the individual and group also demands some

kind of changes internally. For example, suppose I have a PC today and the PC is art working in required and updated PC tomorrow right.

So, because I find that with the kind of things that I am doing, it is not able to process so, I need to go for change right. Similarly, you have formed a group and group is doing certain things about you find that group is not able to up do up to the mark. So, they require some changes and the functioning of the group so, they go for this kind of things. So, the individual and group also a speculate and accordingly they want some kind of changes to be made right. So, this is related to what we call individual and group speculations which may result in change.

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In relation to that we also go for structural changes structural changes means we need to bring about change in the structure and design of the organization right. For example we move from a talus structure to a flatus structure, a vertical structure to a horizontal structure right or to move to an network structure and all this as requirement of restructuring is depend upon dependent upon the organization right and it is functioning. Basically the structure facilitates the type of performance. So, you need to ensure that what kind of a structural appropriate for the organization and accordingly you go for restructuring organization.

And this restructuring take in different form like you move from centralized to a decentralized decision making, you redesign the job, give them more responsibility, more

economy, more freedom to decide how they are going to perform their job. They also go for writes as in terms of reducing the number of head counts in the organization. So, all these are actually form of what we call structural changes in the organization. One example that is given has related to IBM what they did basically, they meant for restructuring the system and also processes and this help them to achieve cost effectiveness and what they did they went for down downsizing strategy.

So, they tried to reduce the number of head counts by reducing the number of levels in the hierarchy and also reducing the department. So, they try to hire a better (Refer Time: 06:09) the vertical and horizontal activities so, that it could result in more cost effective functioning. Now, apart from a structural changes you also have people related changes right. People related change means that you are need you need to make lot of investments in improving the competences, the knowledge and skill base of the people because the current state of knowledge skill and competence is may not be in a for them to perform effectively in the future.

So, any kind of change in the knowledge and skill base which happens due to investments and training in development is related to what you call people related changes or people focused changes. So, you see that what is your HR planning strategy, how budget about your man power requirements, what kind of structural changes you have reorienting people towards employment replacing people right so, all activities related to people or related comes in the form of people focused changes right.

Now, ultimately all this is required for what because you need to ensure that organization perform well. So, ultimately any kind of change that you made in the basic objective is to improve the bottom line. So, the idea of is that you need to ensure that your profitability is maintained. So, why you are going to make this kind of changes? You make this kind of changes because you find that you are not able to generate in a revenue; the productivity is going down or you are losing your market sales. So, these are the external factors which may trigger certain internal changes right.

For example, you find that yes people are not productive enough to you need to go for to train them. You find that the structure is not efficient so, you go for structuring right. So, all these efforts are actually aim that improving the profitability of the organization and performance. And if this is effected then you try to see that what are the regions and

whether it you go for some kind of adjustments internally to improve efficiency of the organizations.

So, when you move for internal pressures for the change it means that you are very much concerned about internal efficiency. The focus is on efficiency so, that you are going to be more productive right.

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Now, after this will see that what are the different kind of pressure that have been discussed and why we it is important for organizations to go for a change. So, the basic idea is that organizations need to renew themselves; renew themselves means that need to revitalize themselves. They need to come out with a new avatar right. So, they need to change the identity, the behavior, their focus, their market.

So, if all these things are happening it means that organizations are moving towards a self renewal. Self renewal means that they are trying to bring about certain changes it is not cosmetic in nature, but they are trying to go for change in the same structure, system, process, technology and that is how they try to renew their themselves and this renewal is basically related to our link to performance. If they renewal does not happen, then they are not going to perform well.

So, when you are going for renewal, then what you do basically? What are the different activities which could be taken up by the organization? So, you challenge your old

assumptions the way you have been doing right. So, when you try to change your old way of doing things habits of doing things, their production now may change right. So, all kind of changes happens. So, in order to bring about the change you need to actually question those assumptions which you have already being established in the organization.

And see that whether you raise a question that whether there is a best way or bit different way of doing things and whether we are going to do it in differently whether it is going to be more productive and effective or not right. And that is how we are going to challenge old assumptions. Similarly, another point is that you have to see that how we are going to compete in the market. The old rule of competition may not be enough to play the game. So, you have to see that how the competition is happening in the market, what are the factors which are leading the competition and how we are going to cope up with the challenges of the competition right?

Because if you are trying to play with the old rules probably, you are not going to be successful; look at any sector, what they do? They try to create competition further arrivals are their counter parts right. For example, if you look at the aviation sector, now a traditionally we use to have airlines which use to serve us well right, but now in place of that most of the airlines have gone for a change in their rules and regulations and have become low cost in order to bring more efficiency.

So, if you are going to compete with old establish norm of competition probably you will not be able to capture the market right. So, you have to understand what are the new rules of the computation and if you do not follow these new rules then, it may not be possible for you to grow and develop yourself. So, you need to change yourself in terms of a behavior and other things. Similarly, you have to rethink your business processes.

So, basically you need to look at each business process that you are following and see that whether these business process can be revitalized, reengineered in a different way. So, that you need you bring more efficiency look at any business process say recruitment, advertising, production, quality, control; all these are part of the business processes. So, each of them basically contribute to the performance of the organization directly or indirectly. Now you need to think that whether you need to bring about a

change in these business processes say customer relationship management, how have been managing your customer relationship right?
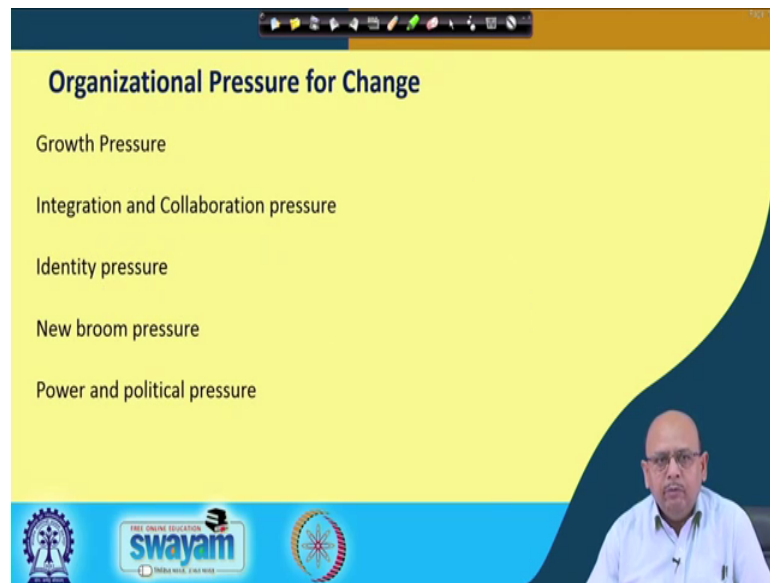
Whether the old way of doing things are good enough or not or whether you need to move ahead and find out new ways of doing things to manage your customers or the relationship with the customer say look at the supply chain management. See lot of developments are happening in the supply chain management ok. So, these new developments basically forces organizations to re think about their business processes and try to go for some kind of fine tuning or what we have talked about in last class. Adapting these those business practices or processes which are trying to be more efficient in the nature.

And the fourth point is related to innovation. As I told you that organizations need to continuously influent innovate themselves into the in terms of the systems, processes, products and services in order to survive and this is related to you know gradualist paradigm where you continuously try to improve yourself right. So, constant innovations; that means, that you need to continuously improve or innovate your performance and that is possible only when you offer new products and new services through business processes playing the new rule of the computations, challenging your old habits right, bringing out new things right.

And see that you continuously try to keep on improving yourselves that is the next point is improving continuously as a part of normal functioning. So, that there is no punctuation and there is no spike that is seen. So, you continuously keep on increasing and then this results in what you call a continuous evaluation of growth and development. And then keeping in mind your reservation and accordingly see that how you can transform your organization looking at the purpose the assistance of the organization and what kind of direction is provided by the vision and statement of the organization.

So, you also need to look at vision and regional statement which provide you a direction further functioning and then say that whether you are able to transform your organization business to ensure that the goals and objectives is achieved or not right. So, it is very very important that organizations go for self renewal in order to remain competitive and perform well in the market.
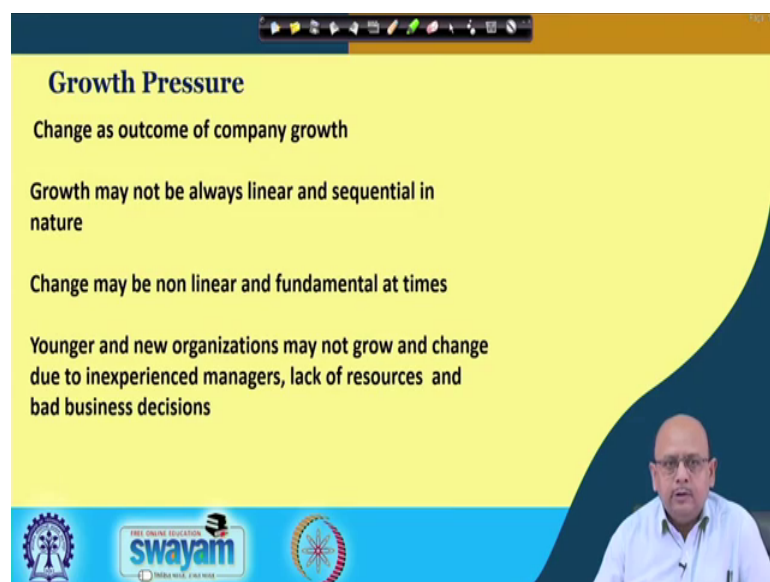
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Now, moving to this will also discuss some pressures which organizations face internally part of that we have already talked about, but this is related to what we call four or five different kind of operations that is growth pressure integrating and collaboration process sorry pressure. Then you have identity pressure, new broom pressure and power and politics pressure. So, will take up one by one each of this points to discuss about them.

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So, we start with the growth pressure. Yes, growth is what it means that you are continuously growing and developing your business, your markets, your profits

everything right. And how do does it happen when you bring about significant changes right. So, change is an outcome of the company's growth right. Company will grow only when you go for a change. So, this always a pressure on organizations to grow and develop themselves right in terms of the profits in terms of the market sales, in terms of their (Refer Time: 15:48) now these are the indicators of the company's growth right. And it is possible only when you bring about certain changes internally right.

But sometimes what happens that the group does not happen a sequence in a linear manner. It will it does not mean that you move very steadily ahead and try to grow in and develop yourself [vocalized-noise;] sometimes it is non-linear. Non-linear means sometimes there is a good growth, sometimes there is no growth in the business, sometimes there is a slack also, sometimes there is a recession and the organizations do not perform well right.

So, we cannot assume that the growth is going to be a linear function and where you continuously grow and develop in a sequence, but it is more non-linear. And you have to see that sometimes you need to look at your basics what you have being doing and see whether the growth is aligned with the change that is happening or not. And if it is not it means there is a slack period, there is a recession and you are not going as you expected. Sometimes you are the growth is good; you are performing well, but sometimes the growth is not good. Sometimes you find that revenue is not coming, sometimes you find that you are not able to get or capture the work or sometimes if it is happening right.
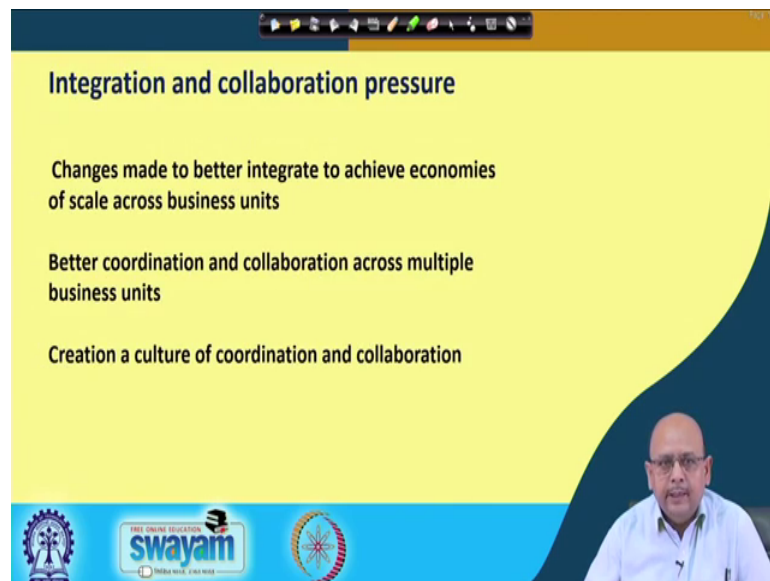
So, it is very very important that you continuously think about growth and development. It could be linear or non-linear that is a different thing, but you need to think about it. Now, if you look at some new organizations, what happens? They have lot of pressure to grow and develop right, but sometimes you are not able to grow and develop, why? Because, they do not have resources, they take some bad business decisions or the managers are not experienced enough.

One example that I can get when I can give is related to look at some of the startups businesses in short term of 4 or 5 years. Now, look up look at them that not of them have been successful have been growing and developing, what happens? Sometimes I have liking a resources, sometimes they are taking a bad decisions right the owner, managers.

And then what happens? They are not able to grow and develop; though there is a pressure on them to grow and develop, but it does not happen because of certain reasons.

So, you need to ensure that you have all these things you take good decisions make sure that you have enough resources all kind of resources. So, that you are able to grow and develop yourselves.

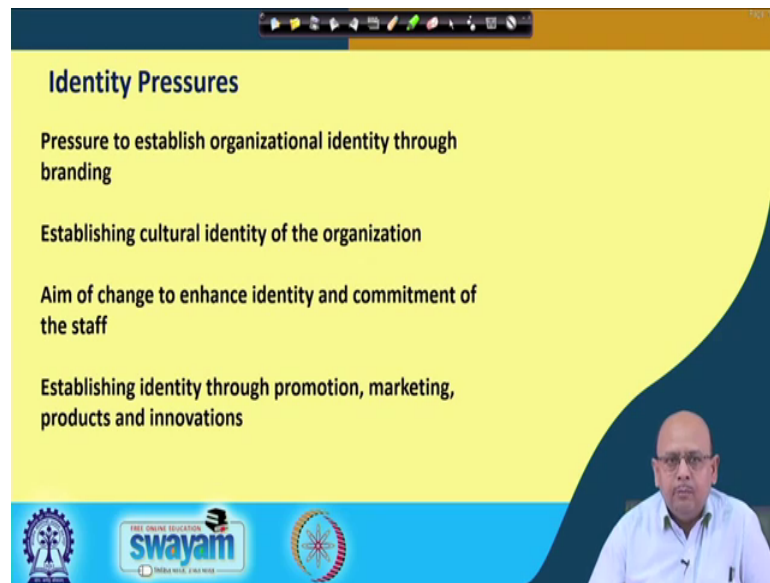(Refer Slide Time: 18:07)

The next point is integration and collaboration process pressure. The integration and collaboration means what? You talked about structural forms and structural forms are basically ensures that there is a better coordination a cross levels and also across departments right. If you have better coordination and integration across vertical and horizontal functions within an organization, then it would bring more efficiency.

Similarly, if this kind of coordination and collaboration is there across different business units of the same organization, then also it happens because there in that case you are able to achieve economies of a scale. It means that you are able to produce more in a very cross effective manner right. So, within the organization and also across business units, you need to see the extinct to which various units of an organization are able to integrate their activities and are able to collaborate on several fronts to ensure the cross effective way of operating to achieve economies of a scale. And similarly the organizations also need to create a culture where people come forward or units come forward to ensure better coordination and collaboration right.

Moving to the third point that is identity pressure; Identity pressure is very very important who am I as a all of my issue right. This question can be raised it means that how you establish an identity for a organization right. This could be then though our corporate pressure branding, amazing. These are the exercises which are required to establish an identity for organization.

Now, if you look say that how it is have been able to establish their identity as good academic institutions. They have been able to establish it through a series of activities to ensure that there is enough commitment of the people to the cause of the organization right   . There is a better coordination and collaboration they have been working through promotions marketing their products because and they will be able to do it only when they have good products and innovations right.

So, all these activities basically help you to a establish your identity as a brand or as an organization right. So, if you want to establish a good identity for your organization, then definitely you need to go for some changes right. And these changes may happen in your products so, innovative systems and practices so, that people outside the organization know that yes this is a good organization right. So, identity pressure is very very important so, each organizations go for a change to create a identity which is good enough to brand themselves as a good organization.
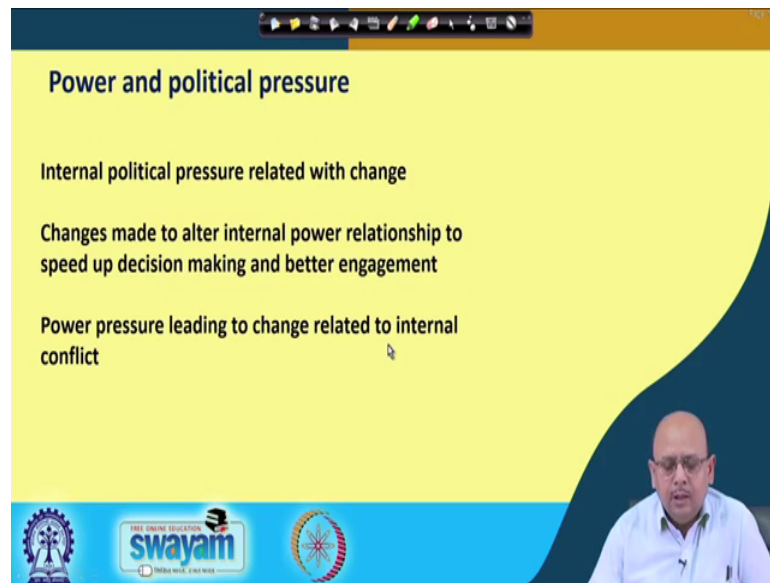
Now, next is a new broom pressure; what actually happens; this new broom means that when a new person joins the organization, a new leader join the organization. So, when the new leader joins the organization, he is at the helm of the face and he tries to bring about certain changes. He also try to bring about changes in the way the people have been doing right. So, this the new CEO or the new manager or the new leader what is they all, they try to see that how we can improve the performance and how we can better satisfy our people or our customers right.

And then he has lot of energy to go for these kind of things because he is knew he has lot of new ideas he is coming from outside. So, he gives us signal that yes let us go for a change, see that what needs to be done in added to bring organization to perform well. So, that people are happy or satisfied and then he try to see that a people uses the energy and creates some kind of energy among the people to ensure that people start working for the new form of organization right.

So, sometimes what actually happens? People most of the organizations are burdened by the past practices. So, you need to shed away get rid off those past practices which are not been good. So, you need to adapt new practices and that is possible only when there is a direction from the top leadership. So, the role of top leadership is very very important and in triggering change in the organization right and that is why new broom new broom pressure is very very important.

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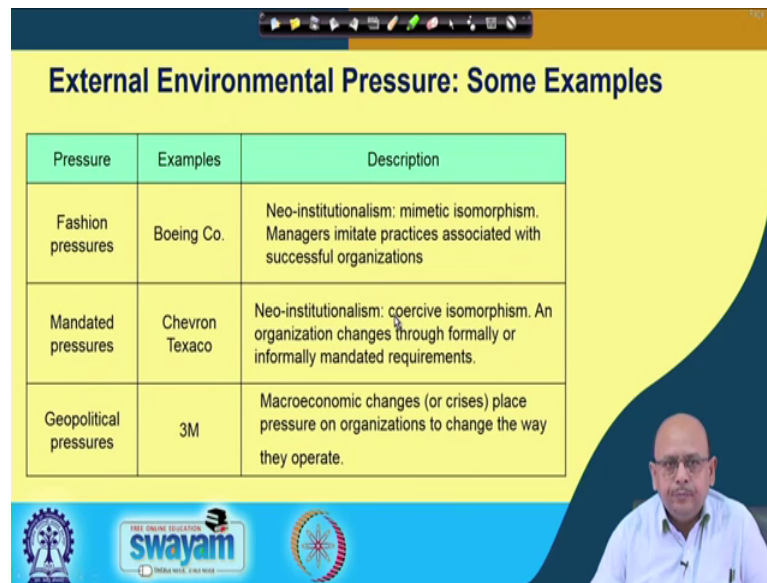

Then there is another pressure which is known as political power pressures right. Sometimes even the change is related to internal politics within the organizations ok. There could be conflict, there could be western interest of the people and that does not lead to change, but sometimes there is a political pressure related to the change right.

For example you think that somebody is more powerful, somebody is less powerful. So, the decision making is centralized. So, you do not like it because people are not allowed to take decisions. So, you try to bring about changes you want to move from centralized decision making to better decentralized decision making right and this kind of decision making would help in better engagement of the people. Say for example, you were do not do not empower people to decide how they are going to do things right because you are in a powerful position you do not want to bring about any changes.

So, this kind of pressure would be there on the top management to allow more empowerment down the line delegating authorities of the people going for decentralized decision making and all this is good for the organization right so, that you can manage the conflict within the organization right. So, there could be the political pressure also for this.

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Now, these are some examples that have been taken related to both the external environmental pressure and the internal environmental pressure like fashion pressure right. Fashion pressures when you are try to look at how you are going to bring about changes depending upon the requirement of the organization and the example there is a Boeing is an a company which makes planes right.

So, if you look at this it talks about Neo institutionalism mimit mimetic isomorphism; mimetic isomorphism means where you try to imitate what others have been doing. The best practices are successful organizations are being imitated by the company in order to ensure that they are able to satisfy the requirement of that people their customers right.

Then another one is mandated pressure; mandated pressure some examples like Chevron, Texaco these companies; there is a Coercive isomorphism. Coercive isomorphism means that there is a threat, there is a requirement that you need to do immediately otherwise your survival will be at a stick. So, this is what is coercive. Because there is a threat so, you go on copying and then you try to make certain changes.

So, it becomes almost mandatory things for you to go because you need to survive and grow. And then geopolitical pressures; geopolitical pressure is different kind of pressure where a certain changes which is happening in the economy at the macro level forces you to bring about certain changes.

For example, if you look at a some of the IT companies in India because this geopolitical pressure in the macroeconomic factors say the with the US government the company was forced to behave differently and that that was because of what you call geopolitical pressure. The example that I have given here is of 3M company which is on the top of the innovation index. So, there is a lot of pressure for this organization to change because they want to remain on the top of the innovation index right.

So, they look at those macroeconomic factors not the microeconomic factors like how the companies are doing, what is the economic policy, what is the what kind of business environment is there right. So, looking at these macroeconomic factors, they try to bring about certain changes. So, that they are able to better satisfy the requirements of the customers.

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Now, apart from that we also have further the pressure, the market decline. Suppose your market is going down right for example, that is AOL and Time Warner. The if you look at this company, what happens? When they found that the company is not going well in the current market, then they started to stack at find out the new market where they could succeed, then hyper competition pressure right.

Lot of competition especially if you look at the mobile technologies that is happening the for example, that I have taken is example Apple and Samsung. This is the intensified rate of business including shortened product life cycle no that every 6 month 1 year, they are

coming out with a new product. Almost every 6 month and that is because there is a rapid response from the customers producing pressure for change.

So, you need to come out with a new product otherwise you will not be able to survive or compete. Then there is a reputation and credibility pressure some of this companies like you know that Walt Disney and in India Satyam. They both went through certain corporates scandals. So, if they go through this kind of scandals, there is a pressure to maintain good reputation and because your credibilities are distiches.

So, if you do you are not able to maintain the credibility, then it is it would very difficult for us you to survive and grow. So, if you look at these pressure, you will find that yes these companies try to look at it and then try to see that how they could maintain a good reputation and improve their credibility.

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Now, above from external will also discuss some of the internal pressures like we talked about growth pressure integration pressure and identity pressures. So, the growth pressures are Microsoft. So, how they want ensure that the systems and processes how they can apply to all kind of organizations right. Then there is a pressure like a integration collaboration pressure. The example that I have taken is electronic data systems where they go for creating and integrating economies of a scale so, that they can could be more effective and competitive.

Then identity pressure this Forte Hotel because this was the problem with because the there is a less commitment from the staff. This low coordination vertically and horizontally both in the organization right would have been it was very difficult for them to manage. So, the top management try to do something to create an identity for the organization. So, that people are able to realize that yes and they feel proud that they are working with a company like this one right. So, this kind of pressures actually help companies to establish an identity is reputation for themselves so, that it brings more commitment on the part of the people.

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Now, apart from that we also had new broom pressure like ICICI RBI bank right, both this banks actually what happens when there is a change in the senior management particularly there is a CEO. So, think that yes, it is a catalyst you know that earlier in RBI we had a different person. Now, you have a different person and then these of them is trying to bring our significant changes.

I do not know whether this changes are going to be successful or not, but they actually try to bring about change in this organization. So, that organization is going to be more successful. Similarly, you know that RBI had the certain problems with this current governor and then he tried to bring about significant changes which may or may not lagged by the government right.

And then we have power and political pressures that is the also important because they have product power relationship and politics is going on internally and that allow you to ensure more empowerment better centralized sorry going for more decentralized decision making right less being less formal and moving from a vertical to horizontal structure.

So, that when you are say delayering or moving to reduce the level of hierarchy definitely this kind of conflict across levels would go down go down right. So, with this also reduces the powers in the hierarchical level. So, what we have discussed is both internal and external environmental pressures and take some examples and with this we want to finish this.

Thank you very much ok.