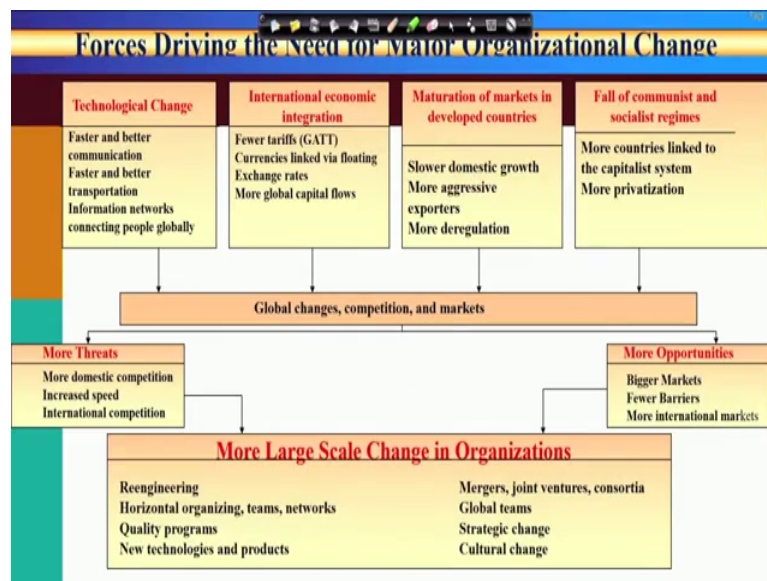


**Managing Change in Organizations**  
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**Lecture – 08**  
**Scope of Change**

So, welcome back to the next session and in this session we will discuss about what happens when there is a internal and external pressure for the change all right. So, we will try to summarize and see that how these internal and external pressure which is coming from the internal environment as well as external environment or going to ensure that organizations bring about certain changes. And then what are the different kind of changes both incremental and radical that happens and accordingly what are the things that need to be done to ensure that the change is going to be successful.

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So, what we will do to start with? We will see that we need to identify and we have been able to identify, what are the various forces which drive the need for major organizational changes. Some of them you have discussed, but here in a more comprehensive way we are going to see what are those factors which bring about a change all right. See we have at this in this slide we have tried to see that there are three different levels of understanding. First we will look at what are the different kind of changes that is happening.

Next as a result of which this is both internally and externally the global level also with the competition the markets internally and externally, what kind of threats and opportunities these changes have created and based on this what kind of changes organizations have gone for all right. Because, what we are going to discuss next is the different kind of changes or different type of changes. Now, if you look at this you will find four major headings under the kind of changes or the driving forces which I have created major organizational changes that is technological changes, international economic integration, markets maturation and also political that is fall of communist and socialist regimes.

Now, if you look at this major driving force for the change is the technology right. Now, when we are talking about technology we have moved from a more mechanical way of doing two what you call today have been a more flexible manufacturing systems which is added with what you call computer aided design, computer integrated manufacturing all right. So, this is related to manufacturing services similarly you will also find that lot of changes has happened in the service sector and there the IT especially the information communication technology has played a important role.

Now, when we are looking at technological changes in both the manufacturing sector as well as services sector. It has got lot of significant changes more efficiency, higher productivity on the part of the organizations. So, if organizations are not going to change themselves I have to compete with in terms of the technological advancement then they will not able to compete. Because, the advantage that these technological changes have that because you can go be more faster and between in terms of productivity you can better maintain quality.

You can better made maintain your (Refer Time: 03:38) of the products all right and then using IT you can better communicate, you can collect data fast you can process them all right h. Again in transportation also we will find that IT has lot of use and you will find that now people are using GPS and supply chain or customer relationship management. Now, people are connected across the world through informal information networks right. So, the internet has played a big role similarly you will find that yes you can connect people globally at any point of time all right.

So, these are the major results of what you call the technological changes all right and there are lot of may changes which is happened in the field of technology both related to manufacturing sector as well as services sector. Now, coming to the economic factors the major economic factors globally, what actually have happened. Now, if you think the global economic factors the most important thing is they reduce reducing that RFS all right.

Most of the organizations not only in India, but Abroad also who have being doing business internationally; they are following certain norms as per trade and tariff which is decided by the nations which is known as jungle agreement and trade and tariff. So, the trade and tariff basically in international trade the tariff is decided internationally in internationally and most of the nations are become favorable to go for less tariffs and this helps organizations to sale their you know products internationally all right.

So, that is one benefit which has come out of what you call international economic integration. Another thing is currencies have been linked with exchange rates right. So, you will find a lot of changes in fluctuations in the currency local currency of any country depending upon the exchange rates of that particular currency with dollar and other important currencies all right. So, you find that yes if you look at in the case of India, you know that the rupees value is depreciating all right because, the dollar value is going up.

It is related with what? It is related because the currencies have been linked and when currencies are linked you have a floating exchange rate. And this has also it is impact on businesses because for the same thing either going to pay less or more depending upon whether your currencies being appreciating or depreciated right and then there a more global capital cloth.

Now, you have institutional industries not only in India, but also from Abroad, what we call foreign institutional investors coming and investing money in Indian businesses and Indian organizations right. So, you can say that yes this kind of economic integration has really held organizations to grow and develop, but for that you need to go for certain changes. Now, another factor which is very important I have not discussed it till date is what is happening to the markets. Now, if you look at some of the markets in developed countries and developing countries, you can understand this situation most of the markets

in developed countries are already matured and saturated. There is no opportunity for growth and development.

So, if these developed countries markets have matured themselves then, what will happen? They look for new markets and where there this new markets. This new markets are in developing countries and under developed countries. So, they would try to sell their products and services in developing countries and under developed countries all right. The reason is that most of these developed markets whether it is Japan or US or Europe, you will find the growth is very very low very low all right. So, since there is no domestic growth for this organizations in developed countries ok.

They try to aggressively put their agenda to sell their products and services in those countries where they find an opportunity to sell where there is a market for them may be India or may be China or may other countries all right. And as a result what they want they want to go for more and more deregulation by these countries where they want to sell their products. So, they want these countries to go for having less import duty right.

So, that they can sell their products and services all right, but this is also creating lot of challenges for the markets that will discuss and then their political factors. If you look at globally what is the happening, you at least few years back you have been living in a bipolar world which were dominated by USSR and USA. But, now USSR has disintegrated all right, they have their number of countries which they are formed. So, if when this communists regime was down and the socialist regime came in to existence. So, what was the outcome of these kind of changes which has happening globally all right?

Now, most of this countries are moving to a more capitalistic market system not what you call a socialist market system. So, most of them I have move to a create a more market oriented system in their countries and similarly they have also moved to more and more privatization of the organizations all right. You will find that some countries except for few situations everything has been privatized as if you to say earlier some of the countries like UK and say Russia used to have their own airlines like (Refer Time: 09:38) or British airways.

But now most of these companies have been privatized by the government all right. So, most of the organizations have move to become private and when you move to

privatization it creates its own challenges for the organization. So, what I am trying to tell you that these are the major driving forces internationally which also affect directly or indirectly the organization all right. Now, what kind of impact it has that is what we are going to discuss in the next one which is related to a brings about global changes competition and markets as well.

Now, you have an open market across the world. You are going to compete internationally right look at any product or services that we have today in banking, in insurance all right. In manufacturing sector; there has lot of competition because you have products and services which are less more cost effective compared to our products and services.

So, thus that has created a lot of competition and then lot of changes happening at the global level because you need to follow these rules and regulations if a member of these agreements and you have to go by them all right let us in tariffs. So, likely your capital as currencies with a other countries and the following those exchange in rate norms all right. And you also allow more capital inflow in the organization.

So, you know that inner government as allowed capital inflow up to 49 percent in the business sectors. Some sectors even allowed up to 51 percent where they can has majority of it is takes in those companies all right. So, all this is going to change the away the businesses have been done all right. Now at the macro level we have been discussing about these things. So, this has created lot of threats as well as opportunities for the organizations. So, what are the threats? More competition, it creates as for the domestic companies look at any domestic companies say Maruti; Maruti had a monopolistic situation few years back all right.

But, now you have lot of companies which are selling their vehicles from the international market all right whether it is a Honda or it is the Toyota all right or Hyundai. So, most of this companies have created lot of competition for the markets. So, on the one side it create competition, it also creates also opportunities to capture markets. So, if you are able to compete, if you are able to change yourself to the expectations probably it create an opportunity.

Then speed of services and responsiveness how fast you respond with the customer requirements how fast you respond to the services that is acquired by the customers that

has also changed. Then international competition the you are not going to compete internally, but internationally all right. So, these kind of threats have been created by these changes which have been talking about at the macro level all right.

Now, this has also created lot of opportunity. If you look at it like now the entire world is going to be a market; if you have good qualities standard product it is more innovative, then you can sell it anywhere in the world all right. But at the same time it has also created certain things like if you go for you look at the great norms and other kind of things, the barriers the regulations have been reduced. So, if you have less barriers then the entry to the market become easy all right.

If there if there is more barrier then, the entry to the market become difficult. I am talking about the international markets all right. So, with less barriers and more markets, it is providing opportunities even to Indian companies to ensure, but they are able to offer their products and services internationally ok.

So, this has created an opportunity, but accordingly you need to change yourself. So, that you can provide quality products and services to compete with international players in the market all right and similarly you can go to any kind of market any where is all right. So, the entire world become your market. So, how Indian organizations are responding to this changes or any kind of organizations in any country are going to respond to these changes. Now, if you look at the responses it means that these are the activities which have been followed by the organizations.

They are trying to reengineer means that they are trying to look at each and every business process and see how they can make it more efficient. They are going for what you call moving from a talus structure to flatus structures organizing around teams and creating networks trying to more horizontal in their structure all right.

Offering let a quality programs to maintain quality of the products so, that they can compete internationally all right. They are of going for six sigma and they are going for quality circles. They also go for what you call total quality management. So, these are the different kind of quality programs which have been initiated by Indian organizations. So, that they are able to maintain quality in their product and processes all right. And at the same time they are also trying to come up with new technologies and products to compete with them all right.

Because, if you are going to compete with your old products and old technology probably you are not going to be successful. So, these are the different kind of challenges which have been created by these macro level organizational factors the change factors and in response to these factors most of the organizations Indian organizations have gone for them right.

They are trying to reengineer there business processes structuring around horizontal works and teams all right, going for lot of quality programs and bringing about a change in the products all right. And these are the activities that they have carried out. Now, coming to the strategies that they have done all right. So, as a part of their strategic move, they have gone for mergers, joint ventures, acquisitions and these kind of things.

Now, you will find that many Indian companies, I have gone for lot of accusations of international companies it is a strategic move to integrate their business all right both to capture better markets and also see that there is a better integration financially and a strategically to ensure that they are able to compete at the international level all right. They have created global teams they have gone for all kind of change even they have gone for change in their strategy that how they are going to though their business and also about the cultural changes.

Why I am talking about these things because what you are going to discuss next is that see what kind of changes organizations are going for all right in terms of strategy, culture, technology people. In order to cope up with the challenges which has been created by both the external pressure the internal pressure and also internationally what is happening all right. So, that is why here we are going to see that what kind of changes organizations are going for and what strategy is they have adapted so, that they ensure they successful and they are able to compete in the market.

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**Why Organizations don't change in Face of Environmental Pressure**  
**Organizational Learning Vs. threat Rigidity**

Some organizations are less adaptive to change from outside pressure

Slow in responding to the changes

Managers need to go for innovative adaptation to manage the gap between performance and aspirations

Pressure may inhibit managers due to cognitive and decision making process and restrict their vision

**Being tapped by the success syndrome**

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Now, after discussing these forces you will also find that sometimes some of the organizations are not able to change themselves or they do not want to go for a change. So, if either you are going to learn and improve or you become rigid and you do not go for a change all right, you will find that yes some organizations are more adaptive. They continuously improve and innovate their products and services and they are successful. So, they learn and in order to become a learning organization right, but some organizations are not going for that kind of things right and they are not able to adapt to the pressure that is there.

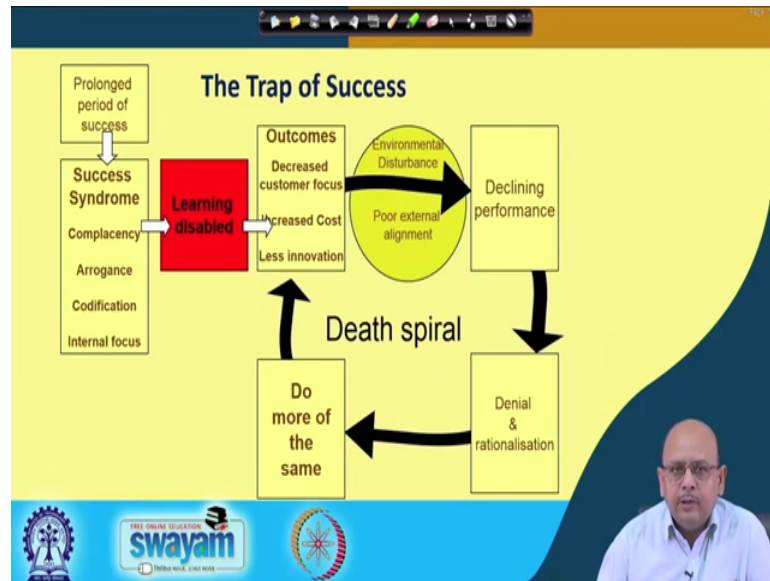
For example, they have not gone for the reengineering, they have not gone for total quality management. So, still they are not selling their old products and services. So, what will happen they are not going to be successful in the market right. So, ultimately they have not been able to respond properly effectively and they have been very slow to respond to the changes that is happening in the market right. So, you have to see that how managers in the organizations can go for adapting in a very innovative way to see that whatever their expectations are in terms of achieving growth, development, market, share and profitability is achieved.

So, there is less gap between the performance and what they want right. Sometimes there is a pressure on the managers not to go for this kind of things because their mental map and the decision making process is restricted all right. And this is going to restrict their



vision for the future and they think that they have been doing their business well and they could go for it. So, basically there is a track trap what we know as success syndrome. So, they have been trapped by the success syndrome because if are being trapped by the success syndrome then you are not going to be successful. Let us see what is this trap of success syndrome.

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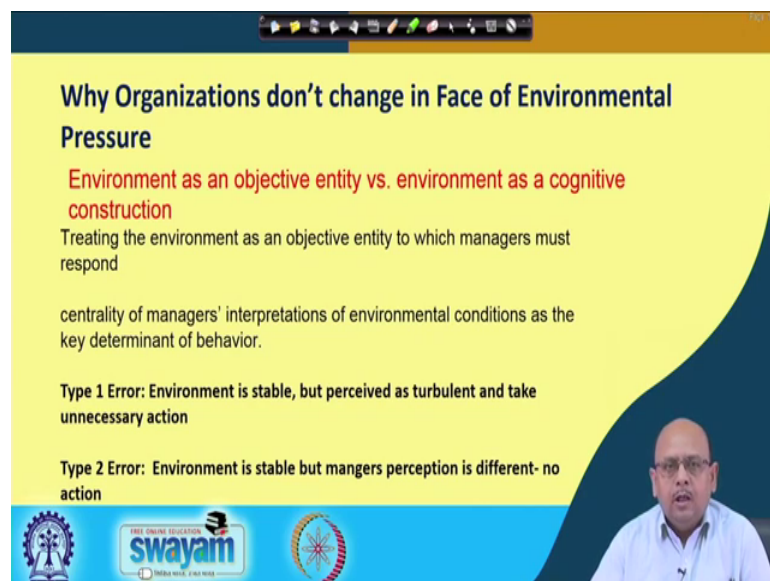
So, it is trap with prolonged period of success which creates the success syndrome right. So, if this results in complacency at the part of the organization become arrogant right, you codify certain things and then there is a more internal focus to increase efficiency. You are not market orientation right. So, this results complacency and arrogance and internal focus basically results in learning, disability and are not going to learn something that is known outcome. Yes it is very very known here . Focus on customers costs and all kind of things goes down, you are not able to focus on your customers your cost goes up and you are not going to be innovative at all right.

Then whenever there is a change in the environment under those circumstances, you are not able to align your activities or you are not able to cope up the challenges of the external environment. It results in poor performance your performance keep on buying and then in order to respond to these poor performance or the client performance, you will sometimes try to rationalize [FL]. Sometimes this happens where you move again we will keep on doing something better. So, you focus more on internal efficiency

without looking at the market and the environment what is happening. So, either you try to rationalize what you have been doing or you deny the facts both are not good, then you are trying to do something more and then you create a spiral through which ultimately die..

The best case that I can give example here is of Hindustan motors. One of the most successful organizations does not exist today because they did not focus on the customers, the cost went up right. They did not go for change in the products which they have been offering no change and when competition came in they are not able to respond to the challenges performance went up down went down like anything first they try to improve their internal efficiency, they did not work. And then ultimately you we all know what happened to Hindustan motors today right. So, this trap of success could be something that is very bad.

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**Why Organizations don't change in Face of Environmental Pressure**

**Environment as an objective entity vs. environment as a cognitive construction**

Treating the environment as an objective entity to which managers must respond

centrality of managers' interpretations of environmental conditions as the key determinant of behavior.

**Type 1 Error: Environment is stable, but perceived as turbulent and take unnecessary action**

**Type 2 Error: Environment is stable but managers perception is different- no action**

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Now, the question is that why organizations do not change when there is the pressure for the change right. So, they think that yes environment is something that is objective or is the cognitive construction. What I mean to say that, yes how you consider the environment and how respond of the environment right. If you your interpretation of the environment is, but and we are not able to correctly interpret and accurately access the level of these environmental factors which are going to affect to organization then it is not good. So, then it will become rigid. So, become rigid then it is a case of filler.

So, you must consider environment as an objective entity to ensure that you are able to properly access these things, the conditions and see how they are going to determine what kind of behavioral changes you want to bring about in the organization all right. So, two kind of error that you measure type 1 and type 2.

Type 1 error where environment is going to stable, but you consider thing that yes environment is turbulent and it is uncertain and it takes certain unnecessary actions that is also not good right and second case the environment is stable, but managers perception is different. So, though they do not take next step right. So, both is good sorry the second point should be environment is unstable and so, they do not perceive that the environment is unstable. So, they do not take any action so, this also creates problem.

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**Why Organizations don't change in Face of Environmental Pressure**

**Forces for change vs. forces for stability**

- The extent to which organizational mission is institutionalized in stakeholders and an external environment
- The extent of diffusion of power and resources throughout the organization
- The rationale managers employ to explain decline: the more controllable or stable the cause, managers introduce innovative changes

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Now, another factor is forces for change and forces for stability right. So, here is the balance if the forces of change are higher or dominant than the force for stability then you go for a change, but if force for stability is higher, then you do not go for a change right. So, you have to see that how the stakeholders look at the forces which are creating change right. So, if you find that these forces of change are better are dominant than referred than you go for a change and if you find that your forces of stability are more dominant, then they do not change in the phase of the environmental pressure right.

Why either they also try to provide some kind of rationale right and this leads to decline right and they think that they are able to control certain things and they are not able to

control certain things right the rationales that they say that yes, a better control lower stability right. But you do not have control, then what will happen? Less stability and then in case of less stability, you do not go for a change right.

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Forces for change	Forces for stability
Adaptability of organizations to the environment	Institutionalization of current practices due to solid past practice and power structure
Cost commitment (making HR variable then fixed cost)	Transaction costs
Impatient capital markets demanding more investment returns	Sustained advantage gained through stable organizational relationships
Control less hierarchy but greater power through performance measures	Organizational social capital
Competitive advantage through responding to market conditions	Predictability and uncertainty reduction

Now, we will discuss further what are the various forces of change and forces of stability. Forces of change when you try to adapt to the environment right there is a cost commitment make sure that yes HR variables are not fixed cost, but this is variable cost. You make sure that the capital market right which requires more investments on the returns. So, if they want more return invest return on their investments then it means that you need to go for a change right and similarly you need to control your hierarchy.

So, and ensure that there is a greater power through performance measures what does it mean it means that you need to ensure that you are giving more power to the people and also make them accountable for the performance that is more important. And you respond to the competitor through responding to the market conditions.

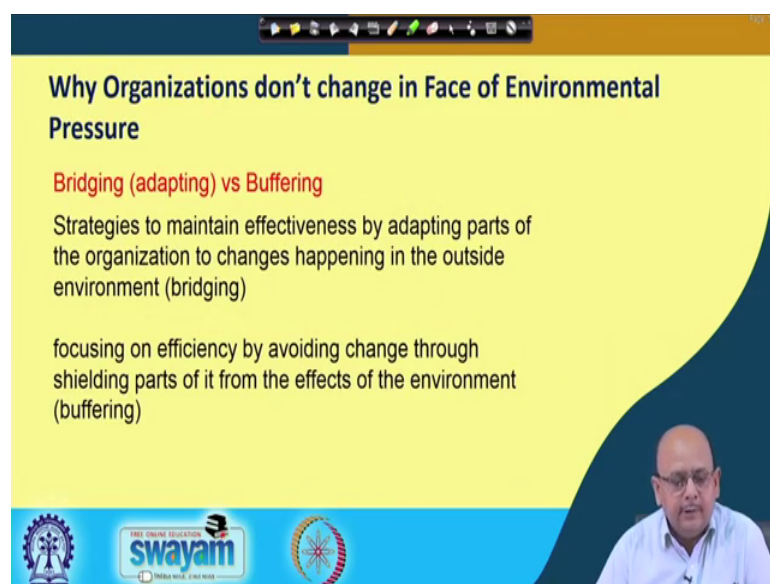
So, whatever changes in the happening in the market; if you are not going to respond to this, then you are not able to achieve competitive advantage. So, these factors basically could be said to be forces of change. Now, coming to the forces of stability, it means that you are to lie certain practices and systems and then you go by that you do not want to make any change or power structure, your past practices.

You think that there is good enough and then you should go by that right and then you believe try to reduce your transaction cost right, then it is also not good because you try to bring more efficiency internally without looking at what is happening internally right. Then you try to achieve advantage through stable organizational relationships you make sure that there is a good relationship people are working, coordinating, integrating, their activities.

But ultimately it does not happen because this requires some kind of instability in the structure and relationship. So, that it brings about some kind of changes right hence you believe more in social capital you think that if people are working they are with you they have good relationship, it is going to help you. But in the light of what we have discussed in macroeconomic and macro environmental factors and also internal environmental pressure or external environmental pressure, it is not possible for organizations to remain stable right.

Then you think that is you are able to predict the future and that is how you try to reduce your uncertainty. Though the fact is that future is uncertain and it is very difficult unless you scan the environment properly and respond to the challenges your productivity goes sorry your predictability goes down right. So, these are the forces of forces of stability that we discussed in.

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**Why Organizations don't change in Face of Environmental Pressure**

**Bridging (adapting) vs Buffering**

Strategies to maintain effectiveness by adapting parts of the organization to changes happening in the outside environment (bridging)

focusing on efficiency by avoiding change through shielding parts of it from the effects of the environment (buffering)

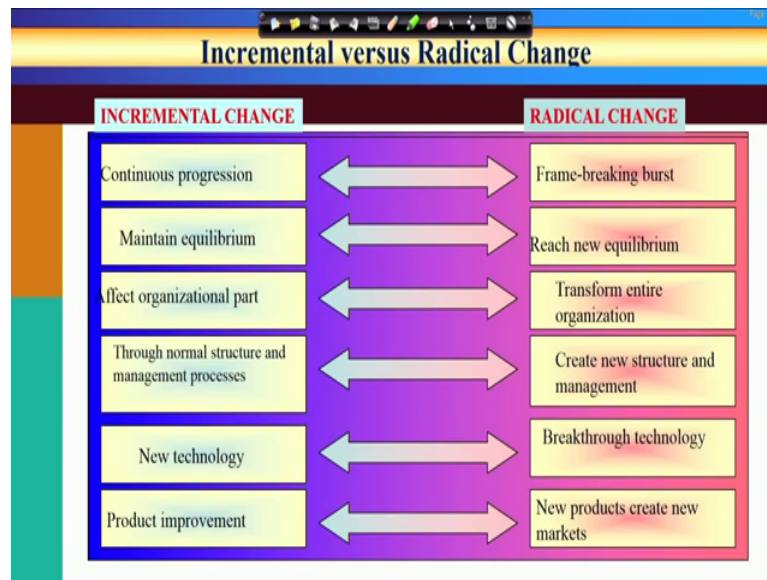
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Now, the last point here is bridging or adapting or buffering. What is your strategy to maintain effectiveness are you want to be effect adapting in nature? Yes adapting in the sense that you want to maintain effectiveness by adapting parts of the organization to the change especially relating to the external environment right. But bridging buffering is that way we try to look at your internal environment. You try to bring more efficiency internally and see that what kind of the internal adjustments can be made to be more productive and effective right.

So, if there is a external environmental pressure and if you do not go for adopting to those changes then it become very difficult for you to bring about any kind of changes right and you do not change. See when you are talking out bridging and buffering, it relates to two kind of orientation one is internal orientation we are trying to increase internal efficiency through buffering activities. And the other one is market orientation, we do offer going for bridging where you look at what is happening in the external environment and accordingly try to adapt to same to the changes which is happening in the internal sorry external environment right.

So, bridging is related to adaptation to the external environment and that is where you have more market orientation all right so, that you can better compete. When I am talking about buffering this is related to what you call more internal orientation where you try to increase your internal efficiency by making certain internal adjustments ok. For example, giving more training to the people so, that become they productive or changing part of the system right. So, that is where you make some internal adjustments within the organization to bring more efficiency, but how long you can go on keep on changing unless you respond to the external environmental factors; it is not going to be very very successful.

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Now, we have talked about internal and incremental and radical changes right. So, if you look at the differences between the an incremental changes, we already talked about like it say continuous progression right we try to maintain equilibrium. So, that there is no punctuation right it effects the part of the organization and you go through the normal structures and the managing processes to go for incremental changes. So, this I am just trying to give you a recap between what we have discussed so far. And then if you want to bring a technology, it is going to effect a part only right and then you try to see that there is a product improvement.

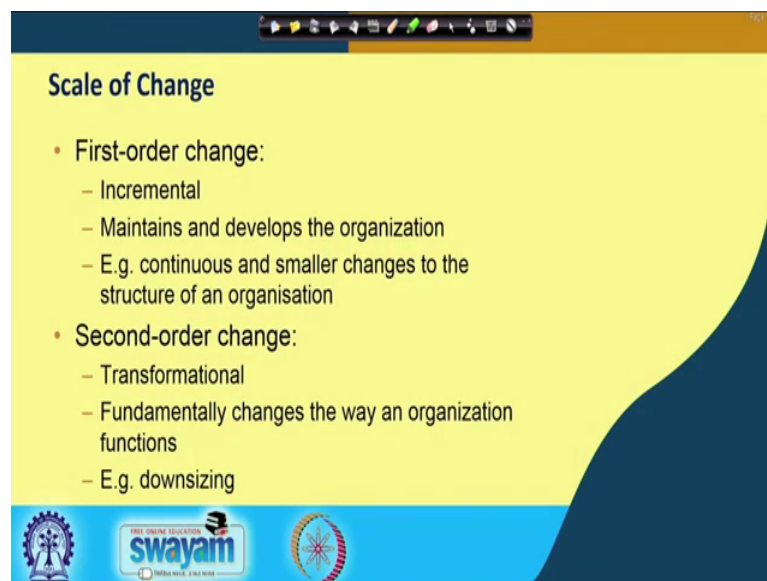
But in comparison to incremental changes when you move to a more radical or transformational change which we will discuss later, what I have happens that is breaking burst it means that you do not go for continuous progression you try to bring to change everything at the same time right. And then you try to create an equilibrium right.

So, once everything is in place you try to see that then this new equilibrium established and then again actually when this punctuated equilibrium happens what goes on you go for continuous increment, then no work because radically you go for some kind of transformational change you come back. But, when we are talking about radical and transformational changes actually you try to settle new agreement, new, new equilibrium right.



So, in order to go for a new equilibrium you go for total transformation and at the same time you will go for a change in the technology, you go for a change in the structure, system process, culture everything change at the same time right. So, create a new structure you go for a new technology, you offer new products and services all right. So, if this happens so, these are the extremes of what you call the radical changes, but not necessary that you are going for totally incremental changes or radical changes sometimes you are going to be in between the two right.

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The slide is titled "Scale of Change" and features a yellow background with a dark blue curved shape on the right side. It lists two types of change:

- First-order change:
  - Incremental
  - Maintains and develops the organization
  - E.g. continuous and smaller changes to the structure of an organisation
- Second-order change:
  - Transformational
  - Fundamentally changes the way an organization functions
  - E.g. downsizing

At the bottom of the slide, there are logos for "swayam" and "THE ONLINE EDUCATION" along with a circular logo on the right.

So, this is what we know as first order change or second order change. So, first order is the incremental; it is done to maintain the and develop the organization right when you go for continuous small changes to bring about change in the structure a second order change is where going to be totally transformation where you bring about fundamental changes in the way the organizational functions right.

You are going for downsizing not only downsizing, but you go for other kind of things at the same time right. So, you go for restructuring downsizing but you go for other kind of things reengineering. So, all these are second order changes, but in between this first order and second order changes there is also a mid order change right.



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The slide is titled "Between 1st & 2nd Order Change" and is presented in a yellow and blue color scheme. It contains three main bullet points, each with a sub-point. At the bottom of the slide, there are logos for "swayam" and "THE ONLINE EDUCATION" along with a circular emblem.

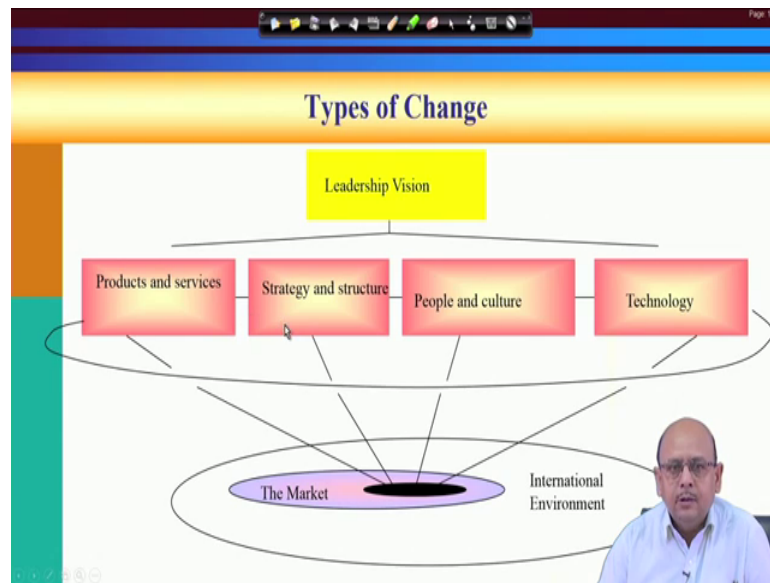
- **Mid-range changes**
  - Overcomes inertia but is not revolutionary
  - Avoids the alarming implications of large scale change
- **Punctuated equilibrium**
  - Long periods of stability followed by short bursts of change and instability
- **Robust transformation**
  - Considers environmental conditions as being temporary and requiring robust responses including the enactment of new capabilities.

This is what you know as between the first and second order change, this is the mid range changes right that is where this punctuated equilibrium comes into the picture right. You are continuously improving and suddenly there is a spike all right.

So, it overcome the inertia, but it is not revolutionary avoid the alarming implications large scale changes. So, it is not totally transformational, but continuous increment is there is like see the it was something like this is going like this and then they suddenly so, there is a spike and then you come back and then again is like that this is a. So, this is what we have been discussing about punctuated equilibrium so, long period of stability followed by short burst of change and instability. And the third is robust transformations.

So, you create conditions where you can go for changes which are going to be very very powerful right which helps you to come out with new capabilities. So, that you can better perform and compete in the situation of competition.

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Now, between first and order and second order change that we have been talking about, see what are the different kinds of changes which will take up later right. These are the major kind of changes which is a part of any organization that is where that locus of change happens that is in the product and services strategy and structure people and culture and the technology and this is a result of what you call the market right. So, this is the external environmental pressure and also there is the international environment there is the market where operating this is the organization.

Now, the organization has to change in this and respond by bringing about certain changes in these things and make sure that is this is an alignment with the and fine tuned and is able to adapt also with the market requirements and say that yes it is very well within the preview of the international market. So, that you are not going to compete only internally, but also in externally.

Thank you very much.