Module - 08
Lecture - 41
Concept, importance, elements of organisational change

Welcome to the discussion on the Principles of Management. Hope you are enjoying the course till now. This week, we will begin with a discussion on organisational change. The all the lectures of this week will be dedicated to discussing different aspects of organisational change. In the first lecture, we are going to discuss on Concept, importance and elements of organisational change.

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So, if you remember we held discussions on staffing, human resource management, recruitment, selection, coordination, and career strategies. So, for all these things, it is very much intricately connected with the organisational change.

Because in any way like if you are going to bring in a new concept of staffing or you are like you are going to do something new for the organisation, like you are going to introduce a new recruitment process, new recruitment drive and then, you are selecting people in a different way, you want to visualize a different nature of your organisation in future.

In that way, you may think of coordinating the all the systems in one way and you are thinking of career strategies. In each of these aspects a change element is involved and also, to bring in overall organisational change these concepts that you have learnt of staffing, recruitment, selection, coordination and career strategies could be elements through which you introduced organisational change.

So, in this connection, this week, we are going to discuss an organisational change; the concepts, characteristics, importance, the forces and advantages of organisational change.

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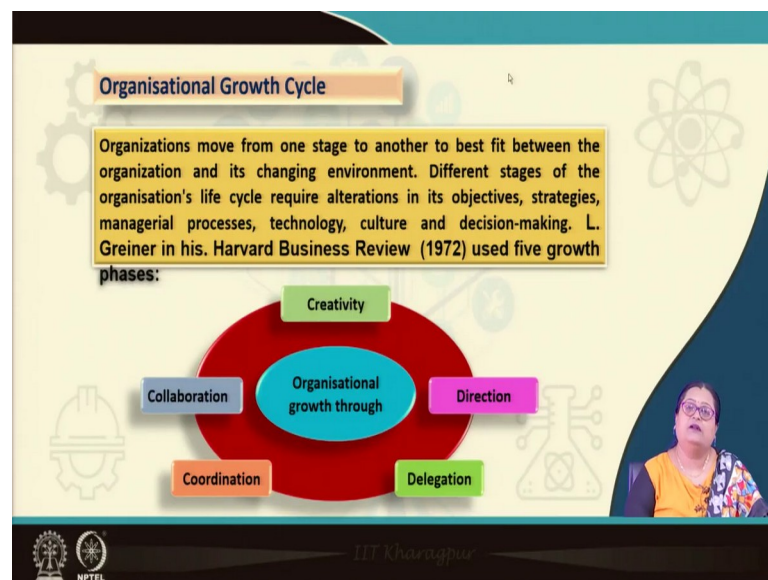
So, before we move on to organisational change, let us study the organisational growth cycle. So, just like human being, organizations also move from one stage to another to best fit between organization and its changing environment. So, the environment of the organization is ever changing, ever demanding, new-new demands are coming up, new-new challenges are coming up and in order to fit into that, the organization needs to change itself.

So, the different stages of organizations life cycle require some of alterations in its objectives, strategies, managerial processes, technology, culture and the decision making. So, if you have to answer to the challenges of the environment and you have to become effective come up like become successful, sustainable; then obviously, you need

to like modify yourself, fit yourself into the changes and answer to the issues which are there at hand.

So, based on that, the Greiner in 1972 used five growth phases. If you see like there are five growth phases in an organization and in all these growth phases, the change or the growth happens through creativity, direction, delegation, coordination and collaboration. So, what are these five growth phases?

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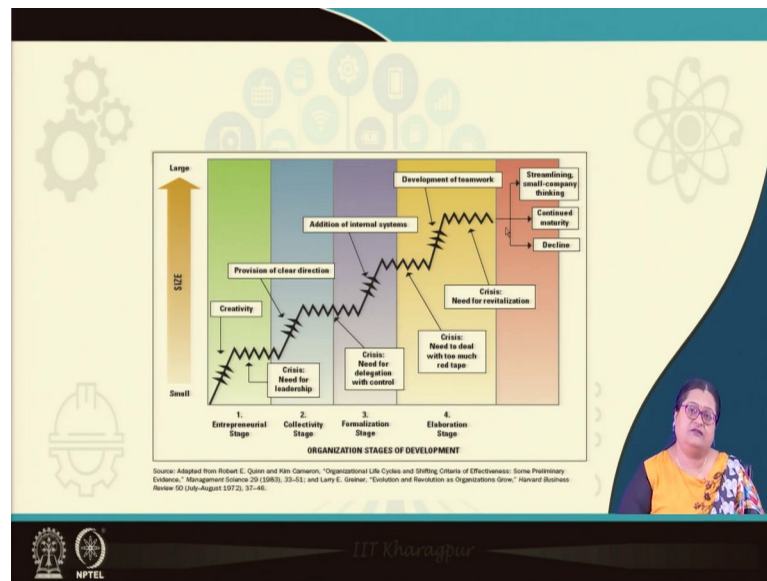
If you see this diagram like the first stage is the entrepreneurial stage and this is a if you see the size of the organization, this is a small size organization and gradually, it is becoming a bigger in size as it is maturing. So, the first stage of any organization is an entrepreneurial stage. At this stage, how do they grow is through creativity and the crisis is a need for leadership.

Second is when there is a collective stage. At this stage then what is required, growth takes place to provision of clear direction. The next stage when we go to the third formalization stage, where we find there is a need for delegation with control. So, there is a balancing of delegation and control is the crisis at this stage and you grow through addition of internal systems.

The fourth stage is the elaboration stage, where because you have grown, as you are grown in your size, then the crisis is the need to deal with too much of red tape. So,

blocks could be there like communications barriers could be there and the crisis is to deal with that.

How you overcome that crisis is the development of teamwork and then, motivation becomes a problem, where you see like it is growth is getting flattened and generally, after the elaboration stage like you are like progressing towards the like decline stage with the maturity stage, where you find three types of like outcomes may happen either decline or continued maturity and streamlining small company thinking.

So, in all these things if you are able to answer to these challenges, why we are discussing this over here before you are moving on to the organizational change to make us aware of why a change is necessary and at what stages change is necessary. So, from this diagram, you can understand actually change is inevitable at all the stages of development of the growth of the organization.

At each stage, certain crisis arises and if the organization is able to answer to those crisis through bringing in changes in its thought processes, to bringing in changes through its staffing policies, recruitment strategies and coordination and communication pattern and maybe the different career strategies of the individual, it is able to answer those crisis properly and come out successful at that stage and move on to the next stage of development, in which there is a newer set of challenges and newer set of ways of like answering to that challenges, so that it leads to the growth of the organization.

As we have seen in the last slide, over here like organization takes place, this growth takes place through creativity, direction, delegation, coordination and collaboration; but these may be required in different ways or a combination of these may be required in different ways throughout the maturity phases, different maturity phases of the organization and that is how we deal with the crisis and expected change.

So, change is inevitable, we just cannot tell like change happens over here or change is required at the start. It is throughout the growth cycle of the organization and its various stages of development.

What we see like as we are discussing, there are different stages of organizational growth and like there are certain features which are very specific to each of these stages and accordingly, the focus is different. So, let us see like what are the focus at each of these growth stages.

At the stage 1, which is at the start of features, we have like compelling set of exciting vision and purpose. Then, people are motivated by exciting and charismatic leaders. The board is usually hands-on; then, working board. Then, people are required are recruited because they are excited and want to chip-in.

Then, people chip-in wherever they feel they are needed, their decisions are often reactive and spontaneous. Then, resources whether money facilities etcetera are continually sought, then sometimes in crisis situations also. As compared to this, if you move to the stage 2 which is the growth stage the priorities shift.

Here, the priorities are when you see the focus it is on strengthening of the internal systems to support growth while expanding services and markets. Leaders focus on managing change as much as generating new ideas. Board evolves in more of a policy, board with continued focus on plans policies and full participation. Different departments and teams are appropriately coordinated for efficiencies.

Planning is a regular and systematic feature and focuses on goals, roles and deadlines. So, if you compare stage 1 to stage 2, what you find there is a shift in the, what people are doing and how they are doing things, based on the expectations at each of these stages.

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The third stage which is the maturity stage of the organization, again the priorities change. Focus here is on sustaining momentum and renewal, specially, to avoid entrenching in bureaucracy. Focus is also on creativity and innovation - sometimes to start new ventures, that starts new life cycles themselves. Management priorities are especially on succession planning and risk management and more learning is shared with other people and organizations.

Leaders seek to successfully duplicate their business model elsewhere so that they can spread whatever they have learned, there is no stagnation they are able to learn from others also. So, priorities here are different. Again, when you are comparing to that of the start phase and the growth phase.
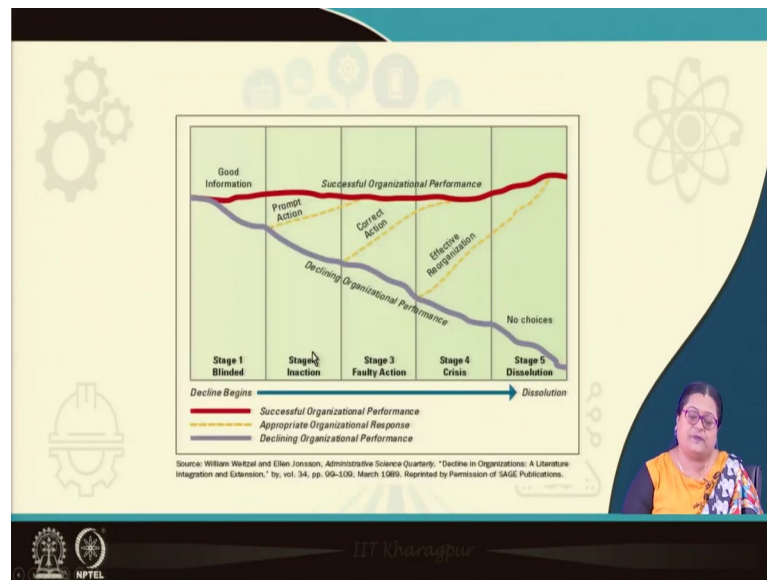
If we see the decline phase of the organization also, if you see like there is a declining organizational performance like the stage decline begins when people are blinded by their performance like by their if they have been successful and it has been and it is blinding and they do not want to like review what they have done, do not want to get aware of what others are doing, how they can learn from the situations; then, it is a start of the decline phase.

Second stage is that of inaction, where again the decline continues. I do not understand like that I need to change; I do not take any action also. Stage 3 is when you take a faulty action, you try to take some action; but your actions are those not proper actions which will close the gap between successful organizational performance and declining organizational performance. So, again the gap increases.

Stage 4 is a crisis of existence, where the gap widens wide further and dissolution is the final stage when it like it is the death bell for the organization. What you see over here appropriate organizational responses. So, when it is in the stage 2 of inaction, appropriate organizational response is that of prompt action.
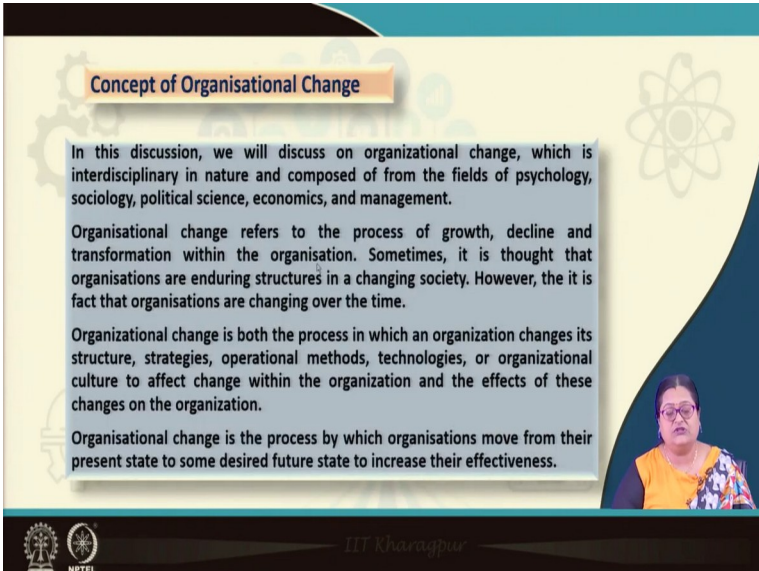
When it is in the faulty action, appropriate organizational action is that response is that of correct action and in crisis, effective reorganization like when you are talking of crisis and dissolution. But all these definitely requires you to start thinking differently, having a relook into the ways that you are doing, have a look into what others are doing, have a

like evaluation of the organization's environment and the expectations that the environment is having from the organization.

In other words, you need to you or the organization in order to like sustain, in order to be successful, it needs to constantly change itself; monitor its performance, monitor the environment and try to like close the gap through appropriate actions between the expected performance and the actual performance that they should be doing.

They should not be complacent with its performance, but rather they should question it and try to improve on it. When this is the thought process going on, then what we are definitely discussing over here is that of organizational change. With that, we move on to the concept of organizational change.

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The concept of organizational change is interdisciplinary in nature and is composed of from the fields of like psychology, sociology, political science, economics and management. It refers to the process of growth, decline and transformation within the organization. Sometimes, organizational change is thought that these are enduring structures in a changing society.

However, it is the fact that organizations also are changing over time. Organizational change can be thought of as a process in which an organizational change its structure, its

strategies, its operational methods, technologies or culture to affect change within the organization and the effects of these changes on the organization.

So, at the start as we told like the all your processes, policies that you have coordination mechanisms, communications, career strategies whatever you are thinking of or whatever you have discussed till now, these are also like instruments of organizational change and definitely, a change expected change also requires like you bring in changes in each of these processes. So, they become more effective in nature.
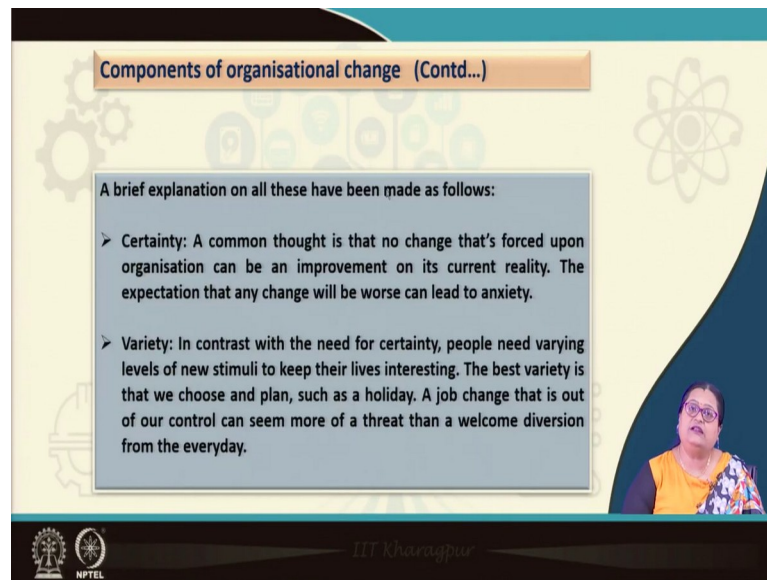
So, organizational change is the process by which organizations moves from their present state to some desired future state to increase their effectiveness. Increasing effectiveness is a key word over here and in order to do that, the shifts, the reorganizations that you do in your policies, practices, structures, technology, people whatever. So, that process is called organizational change. There are certain components of organizational change.

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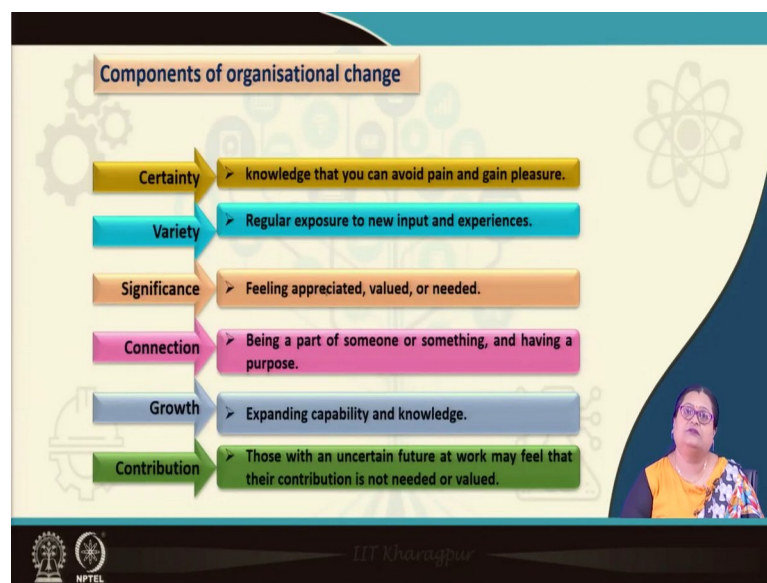
So, first is that of certainty. It is the knowledge that you can avoid pain and gain pleasure. Variety, regular exposure to new input and experiences. Significance, feeling appreciated valued or needed. Connection, being a part of someone or something and having a purpose. Growth, expanding capability and knowledge and contribution, those with an uncertain future at work may feel that their contribution is not needed or valued. These are certain things which will affect the process of organizational change.

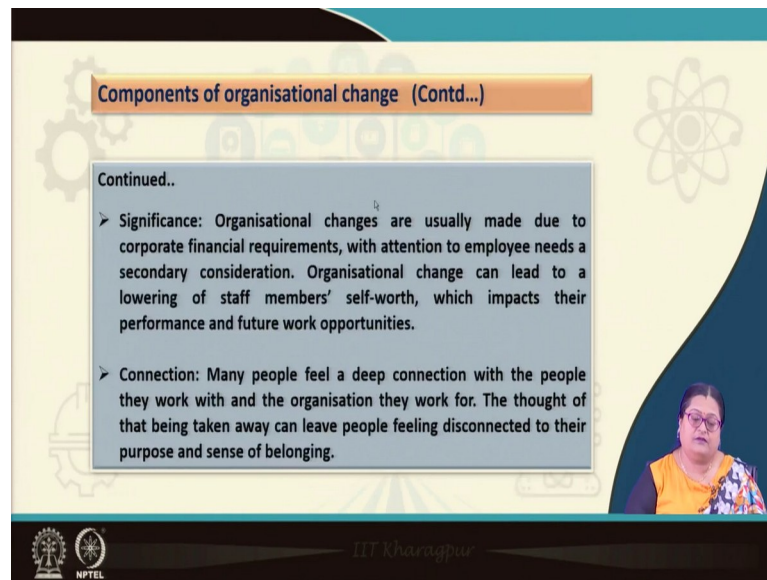(Refer Slide Time: 18:33)

So, let us discuss this in details. Certainty means a common thought is that no change that is forced upon an organization can be improvement on its current reality. The expectation that it will any change which will be like imposed on people can lead to anxiety. When you talk of variety, so, people need varying levels of new stimuli to keep their lives interesting. The best variety is that which we choose and plan such as a holiday.

A job change that is out of our control can seem more of a threat than a welcome diversion from every day. So, what we understand if we have a variety and we can control at least some parts of it, then people enjoy that change.
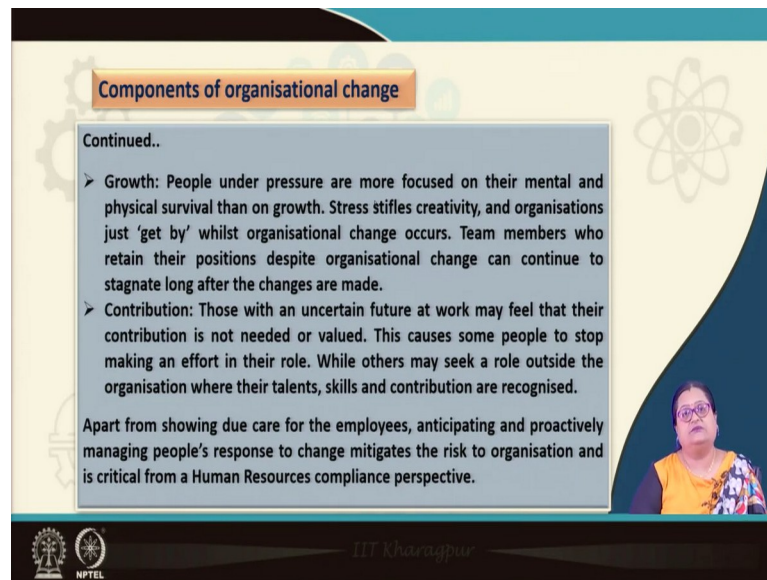
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Significance, organizational changes are usually made due to corporate financial requirements with attention to employee needs as a secondary condition. So, this is not what is expected. There should be a proper match alignment of the employees needs with the organizational growth need also.

So, otherwise, the organizational change can lead to a lowering of the staff members self worth which affects their performance and future work opportunities. So, the person, the employees involved should understand the significance of the change, both for the organization and for themselves and to understand how significantly, they can contribute to the purpose of the change.

Connection, many people feel a deep connection with the people they work with and the organization that they work for. So, the thought of being taken away can leave people feeling disconnected to their purpose and sense of belonging. So, we have to understand like if you have to introduce a change in the organization that too the people related change.

It is a very sensitive issue. Like people with time develop a connection with the people that they work with and with the organization that they work with and if you want to bring in certain changes, where people are not involved in the decision making that may be perceived as stressful by the individuals.

Growth, this is one of the major focus for organizational change. So, people under pressure are more focused on their mental and physical survival than on growth. So, what happens? Like people who are constantly under pressure for performance or who are in doubt for their existence, so they are more focused on their survival strategies rather than being focused on their growth.

The stress stifles creativity and organizations just 'get by' whilst organizational change occurs. So, people have to accept it because it is like imposed on them, they but they do not wholeheartedly participate in it or accept it. Team members who retain their positions despite organizational change can continue to stagnate long after the changes are made.

So, who like are able to retain their positions and all, so they may also become stagnating because at certain point of time, they are focused not on how to improve one possibly oneself; but just like how to survive in this challenging environment. So, if we have to introduce organizational change in the change process in the organization, we really need to think of like how to bring in changes in the mindset of the people.

Because sometimes the people resist changes, they have some emotional, negative emotional reactions to change and that is why they are not able to assimilate themselves in themselves the benefits of the change processes and they become like stressful and their creativity stifles and many other things happen. They just move on with the phase

of like continuance commitment, what you do not get to see, the effective commitment for the organization. So, these things need to be taken care of.

So, another important factor is contribution. Those with an uncertain future at work may feel that their contribution is not needed or valued. This cause, some people to stop making an effort in their role. While others may seek a role outside the organization with their talents, skills and contributions are recognized. So, what happens?

People generally lose their interest in the particular job because they do not understand what is the exact level of contribution, they are making to the organization and whether this will be valued by the organization or not. So, what they do?

They try to take minimum effort in the job and they seek out a role outside the organization, where they can showcase their talent skills and contribution. So, it is very important that the employees understand the contribution that they make towards the success of the organization.

So, apart from showing due care to the employees, anticipating and proactively managing people response to change, sometimes mitigates the risk to the organization and is critical from human resource compliance perspective.

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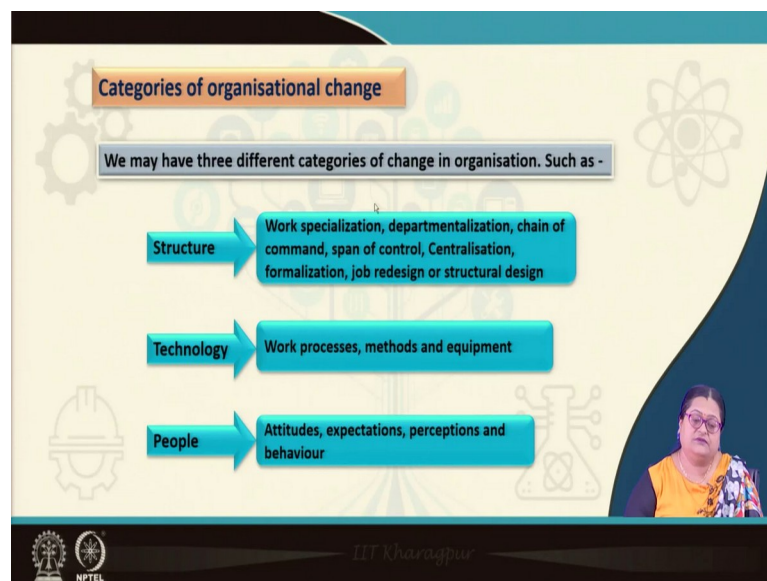
There are different categories of organizational change, but we may try three different categories. First is like change in structure; like work specialization, departmentalization,

chain of command, span of control, centralization, formalization, job redesign or structural design. Change in technology like work processes, methods and equipments and people like attitudes, expectations, perceptions and behaviour.

So, change can be introduced in the structure through these different like sub categories that we have mentioned; change can be brought in the technology through work processes, methods and equipment's; change can be made in the people and the behaviour of the people like attitudes, expectations, perceptions and behaviour.

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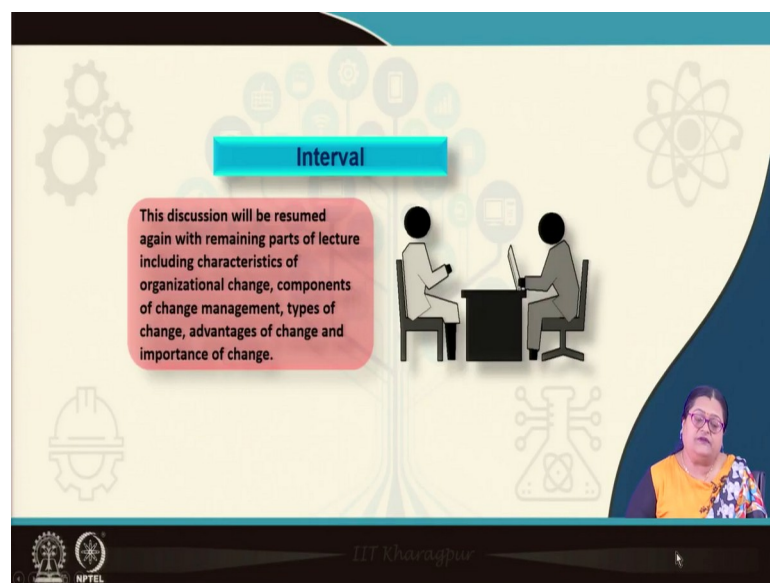
After this, we are going to take a short interval. After the interval, this discussion will be resumed again with the remaining parts of the lecture on including the characteristics of organizational change, components of change management, types of change, advantages of change and importance of change.

Thank you. Stay tuned.