Organizational Design Change and Transformation
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Module - 05
Lecture - 21
Organizational Change

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[FL] Today, we will be continuing with the new topic in our course on Organizational Design Change and Transformation and this topic is Organizational Change. This is week 5 or module 5 and the lecture is lecture 1. In this particular module, we will be speaking about the meaning and definition of organizational change.

Targets of change; forces for organizational change; barriers and resistance to organizational change; types of change, process of change; stages for commitment to change; managing
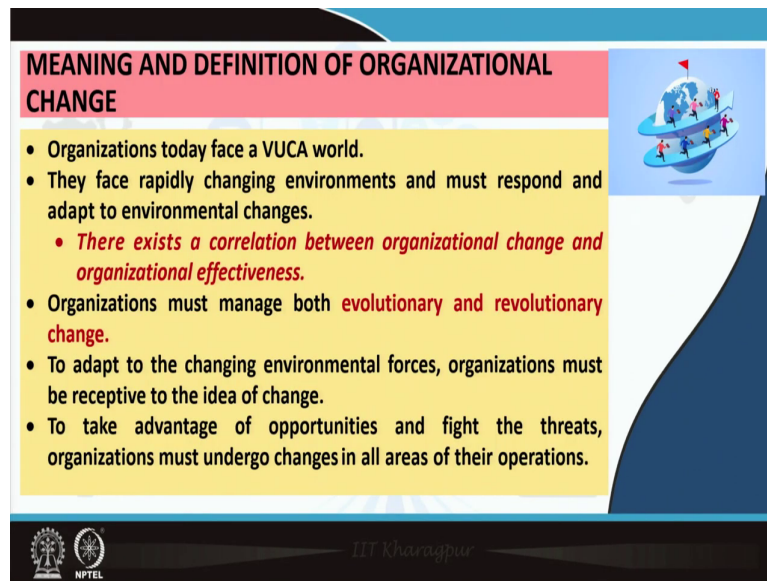
planned change; change agents; approaching to managing organizational change and finally we shall be concluding with a discussion on contemporary change issues.

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In today's lecture, we shall be speaking about the meaning and definition of organizational change, the targets of change and the forces for organizational change. So, let us begin with our discussion on what is organizational change.

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Now, when we talk of change, change is something which is very very important for organizations. We have been discussing in the previous classes as to how organizations must change themselves, the structure, the culture, the design, you know the entire the strategy, everything has to change with the changing environment. Organizations today face a VUCA world; they face very rapid changes and must respond to environmental changes.

And because we all know that there is exists a huge correlation between organizational change and organizational effectiveness and it is until and unless organizations change themselves, they change their design, their structure, their culture, their strategies, they will not be able to succeed. They will not be effective because with changing environments, it is very very important that everything within an organization also changes.

So, as environments change, organizations must change and this change must reflect in the organization's structure and design, in the strategies as well as in the culture. So, organizations must manage both evolutionary and revolutionary change. Now, evolutionary change is gradual change, incremental change which occurs in the environment.
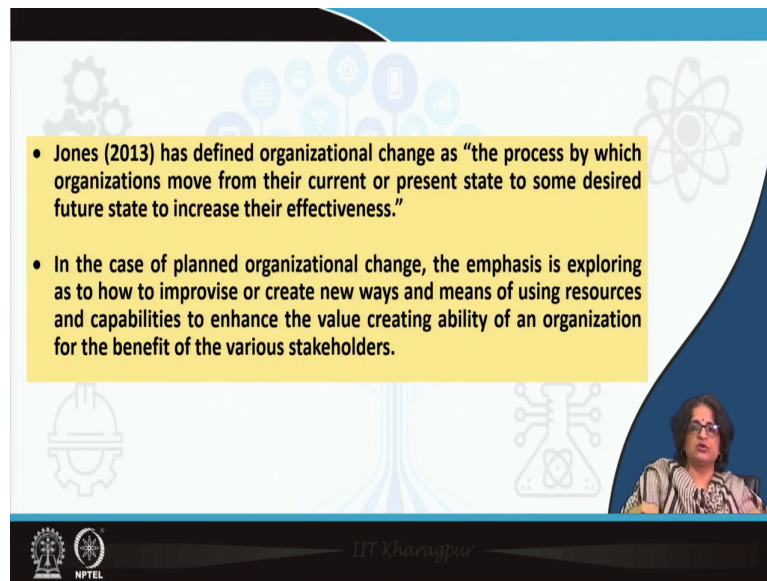
But a revolutionary change is change which must be brought about in organizations to deal with very complex changes in the environment or huge change in the environment and that would force organizations to go for radical transformations and that is what we refer to as evolutionary change.

So, organizations must manage both evolutionary as well as revolutionary change and to adapt to the changing environmental forces, organizations must be very very receptive to the idea of change, employees in the organization must be ready to accept the fact that change is something which is important, change is something which is necessary.

And in order to face the rapidly changing environment in order to adapt to environmental change, the very the first step is about accepting that yes we need to change and organizations and organization employees must be very very receptive to the idea of change.

So, to take advantage of the opportunities and to fight the threats, organizations must undergo change in all areas of their operations. They must be ready to accept change and to you know go through the process of change such that you know the impact on the organization is very very positive and very very fruitful.

Jones has defined organizational change as the process by which organizations move from a current or a present state to some desired future state, so that they can increase their effectiveness. And in the case of planned organizational change, the emphasis is upon you know is upon exploring as to how to improvise or to create new ways and means of using resources and capabilities to enhance the value creating ability of the organization for the benefit of the various stakeholders.
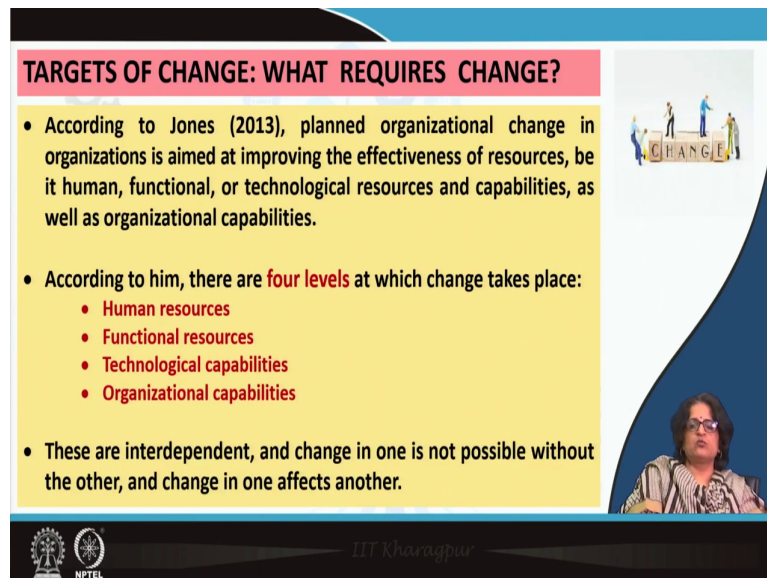
So, in place of planned change the emphasis is about exploring as to how to improvise or to create new ways and means of using resources and capabilities to enhance the value creating ability of the organization; so that there is maximum benefit for the various stakeholders.

So, organizations have to manage change and they must do so in a very planned way; so that you know they can explore as to how to improvise or how to create new ways and means of using resources and their capabilities to the best possible you know for best possible results.

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Now, what when we talk of change and when we talk of targets of change you know what we are meaning is that what changes what requires change; targets of change here meaning you know what in an organization should be changed ok. What requires change?
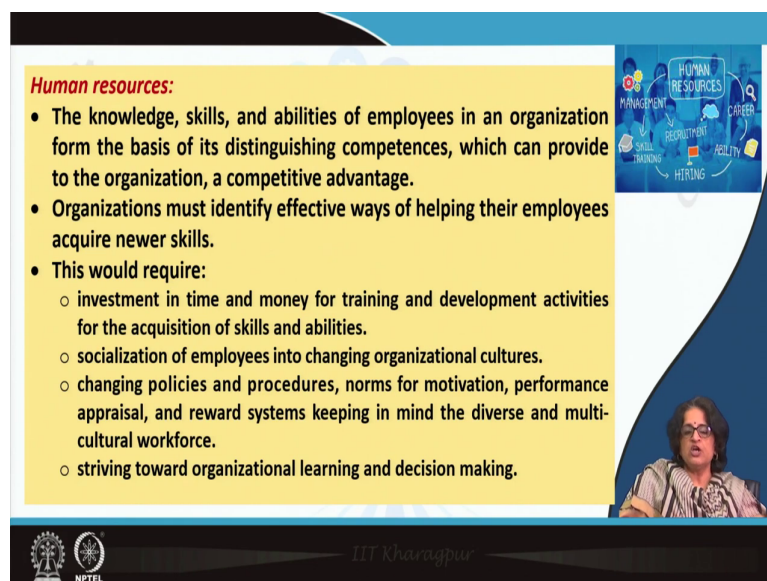
So, according to Jones planned organizational change in organizations is aimed to improve the effectiveness of resources be it human resources or functional resources or technological resources and capabilities; as well as you know organizational capabilities. So, you know,

according to him, according to Jones planned organizational change aims at improving the effectiveness of resources.

Be it human resources or functional resources or technological resources and it is also about you know improving the effectiveness of capabilities, which is the organizational capability. So, according to him, there are 4 levels at which change takes place. Human resources, functional resources, technological capabilities and organizational capabilities.

And these are all interdependent and change in one is not possible without the change in the other and the change in one affects the other. So, let us first start with the different targets of change.

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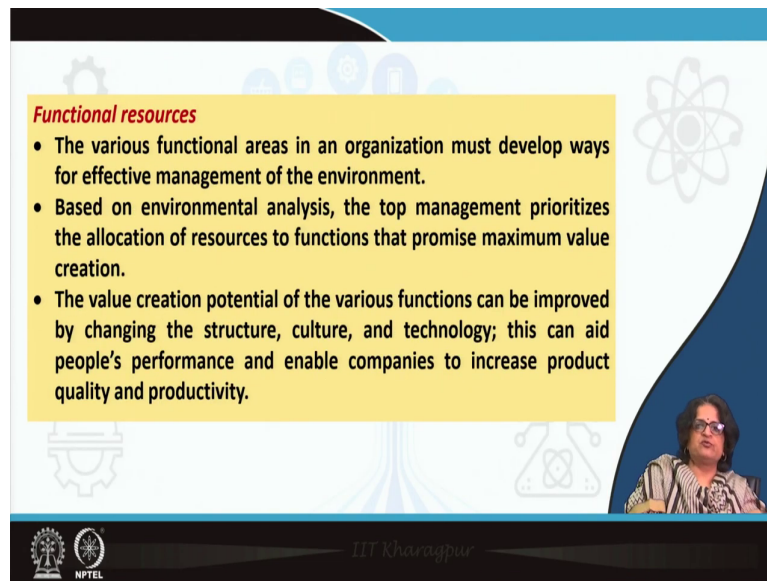
Human resources, so the knowledge, skills and abilities of employees in an organization as we have discussed earlier forms the basis of core competence. It can be a basis for distinguishing competencies which can actually lead to competitive advantage for the organization.

So, organizations must identify ways and means of helping their employees, acquire new skills and this would require investment in time and money for training and development activities. So, that you know the employees can acquire new skills, new abilities. It would also require socialization of employees into changing organizational cultures.

It would require changing policies and procedure, procedures as well as norms for motivation, performance appraisal and reward system, keeping in mind the diverse workforce, keeping in mind the multicultural workforce as is seen in organizations today and this would also require striving towards organizational learning and decision making.

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The second is with respect to functional resources. Now, the various functional resources in an organization must be must developed you know must be used most effectively and efficiently. And the various functional areas in the organization must develop ways for effective management of the environment.

So, based on the environmental analysis the top management prioritizes the allocation of resources to those functions which promise value creation. And value creation potential of the various functions can be improved by changing the structure, changing the culture and technology. This can help people you know perform better and enable companies to increase product quality and productivity.

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The third is Technological capabilities. Now, the technological know how and the capabilities also affect organizational capacity to gain advantage of market opportunities. Managers must strive towards enhancing their technological capabilities which will ultimately help an organization innovate.
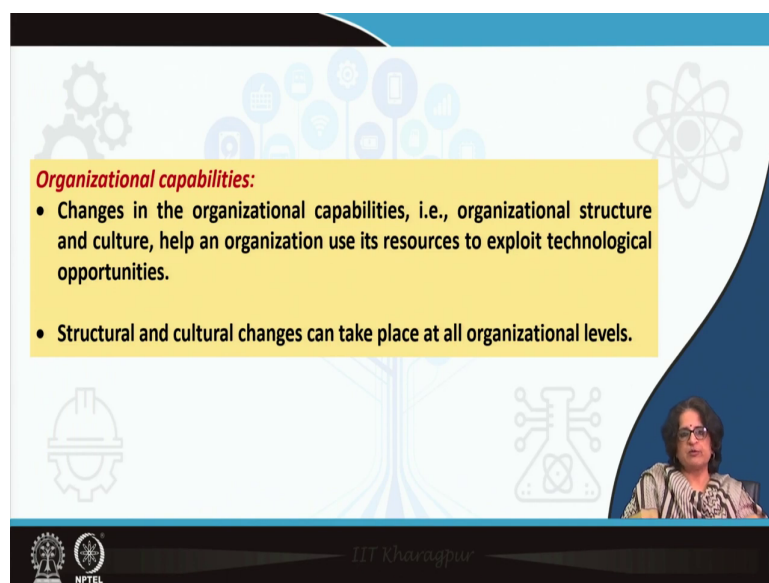
Both continuous and discontinuous innovations help gain a competitive advantage and technical capabilities can act as an organizations core competence which can help the organization in it is journey towards innovation. Now, what is a continuous and discontinuous innovation? Continuous innovations are incremental innovations slow gradual innovations. Discontinuous innovations are radical innovations.

So, in you know technological capabilities help an organization innovate and both continuous and discontinuous innovations would help an organization gain competitive advantage. You

know and the technical capabilities act as an organizations core competence to help an organization innovate.

Also, technical processes need to be improved to enhance the quality and the reliability. Enhancement of technological capabilities requires change in the structure as well as in the design of organizational activities.

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Coming to organizational capabilities changes in organizational capability that is the organization's structure and the culture also help you know an organization use it is resources to exploit the environmental opportunities and structural and cultural changes can take place at all organizational levels.

So, when we you know ask this questions that what requires a change or what are targets of change, what we are actually speaking of is you know the organizational structure and the technology and the people all of which has to go undergo change?
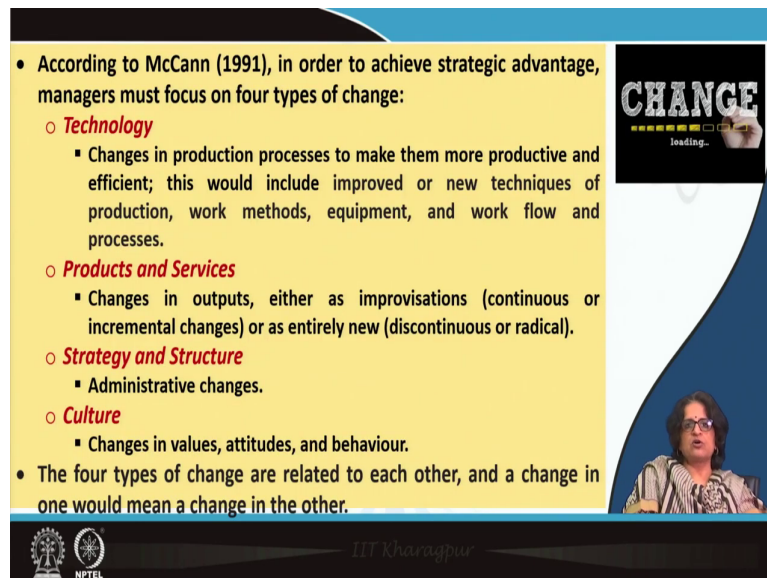
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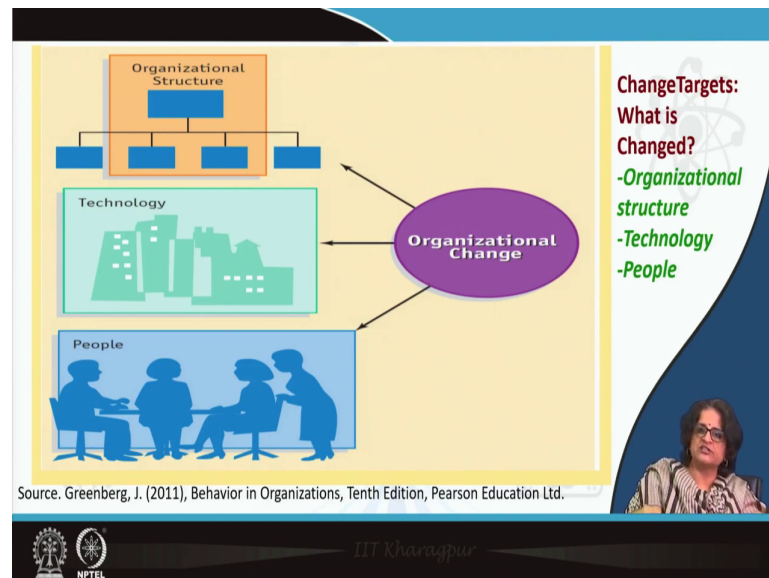
So, here we see the change targets are or what gets changed is organizational structure, organizational you know technology and people. So as Jones said that you know the change takes place at 4 levels human resources, functional resources, technological capabilities and organizational capabilities and these are the targets of change.

This is what requires change similarly you know the Greenberg has categorized them as 3 he says that the change targets are 3 which is the organizational structure, technology and people.

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Now, according to McCann in order to achieve strategic advantage managers must focus on 4 types of change technology, products and services, strategy and culture. So, the changes have to happen in production processes to make them more productive and efficient. They have this would include you know improved or new techniques of production including work methods, equipment and workflow. So, this pertains to technology.

Changes are also needed in outputs either as improvisations or as entirely new product. As I just said you know continuous innovations also called incremental innovations or improvisations include very minor changes. They did in continuous innovations in are incremental in nature a very gradual incremental you know changes are made and these are more of improvisations, as opposed to the discontinuous innovations which are radical innovations and absolutely new innovations.

So, changes have to happen with respect to products and services as well, where organizations must bring about a change in output either incremental change in output or radical changes to be made in the output itself. The third is strategy and structure which would involve administrative changes and the 4th according to an according to McCann the 4th change has to be with culture which is changes in values, attitudes and behaviour.

You know in the you know in the and so the 4 types of change are related to each other and the change in one would also meet a change in the other and in others.

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So, if you go a little bit more on technological changes you know if you see with technological advancements taking place such as a fast-paced, technological change in organizations is essential its challenging why you know again coming to the mechanistic and the organic structural characteristics? Because mechanistic structures are rigid you know have

rigid hierarchies with rules and regulations, very efficient in producing routine products but that restrains innovation.

And on the other hand, we have organic structures which are flexible encourage a bottom-up approach with respect to innovation. So, when companies decide to you know adopt technological changes it becomes challenging, because on one hand it is the mechanistic which speaks about efficiency on the other hand it is organic which speaks about innovation.

So, the challenge lies in achieving both innovation and efficiency and creating both organic and mechanistic conditions within the organization. You know so mechanistic is more about efficiency, organic is more about innovation and creativity and here the challenge is how do you blend both, how do you balance both, how do you achieve both?

Because, organizations would desire efficiency which is a characteristic of mechanistic structure; but they would also desire innovations which is a characteristic of the organic structure. So, the challenge lies in achieving both you know efficiency and innovation and creating mechanistic and organic conditions and the solution lies in adopting an ambidextrous approach.

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So, it is about innovation creation versus innovation utilization. In organic structures decentralization and employee empowerment helps initiate ideas, but the loose structure prevents acceptance of implementation. So, the solution has to be that the organization must employ an ambidextrous approach which would help you structures and processes that help in both innovation creation as well as an innovation utilization and adoption.

So, the solution is an ambidextrous approach where you know it is about in you know innovations getting accepted. So, and utilized so it would mean the use of structures and processes which would help in both creating innovations as well as you know utilizing the innovations.

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The second is about strategy and structure change, organizational strategies, structures and management processes and procedures requires a change in time. And today with unstable uncertain rapidly changing environments you know and when organizations are also operating globally you know. And then they has to be this they have very fundamental as well as sweeping changes in strategy structure and processes are required.

So, today with unstable uncertain and rapidly changing environments, organizations globally must make fundamental sweeping changes in strategy, in structure and processes to take advantage of the opportunities and fight the threats. And changing trend we witnessed today is elimination of hierarchical levels and layers leading to flatter structures, decentralized decision making, shift towards horizontal structures, cross functional teams, empowered teams with the freedom to take decisions and solve problems.

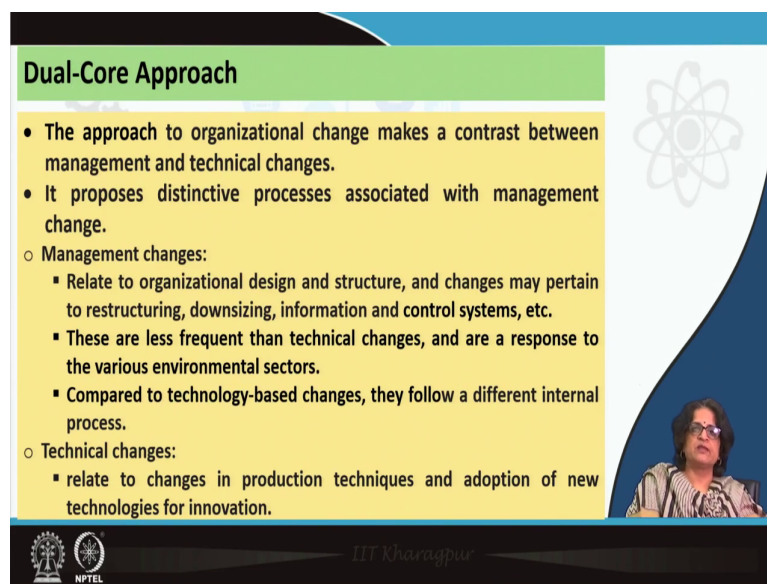We have virtual networks you know strategies and structures and there is a growing importance of e-business. So, we have these different kind of you know trends which are witnessed today and these the these need to be taken into consideration when organizations you know decide to go in decide to undergo change.

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So, what is needed is a dual core approach, the approach to organizational change makes a contrast between the management and the technical changes. So, it proposes very distinctive processes associated with management change. Now, coming to the coming to defining what is meant by management change and technological change.

So, when we talk about management change, they relate to organizational design and structure and changes may pertain to restructuring or downsizing information systems, control

systems and these management changes are less frequent than the technical changes and are generally a response to environmental forces.

And compared to technology based changes they follow a very different internal process. On the other hand, when we talk of technical changes there is relate to production and you know adoption of new technologies for innovation.

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- Organizations possess two cores, viz., management core and technical core, with the former being above the latter in the hierarchy.
  - o Management core: responsible for organizational structure, control, and coordination; and concerns regarding the environmental sectors pertaining to the economy, finance, HR, government, and competitors.
  - o Technical core: responsible for the transformation of inputs into outputs, and involves itself with concerns regarding the environmental sectors pertaining to customers and technology.
- The cores have their own employees, tasks, and environmental domains, and innovation can begin in either of the cores.

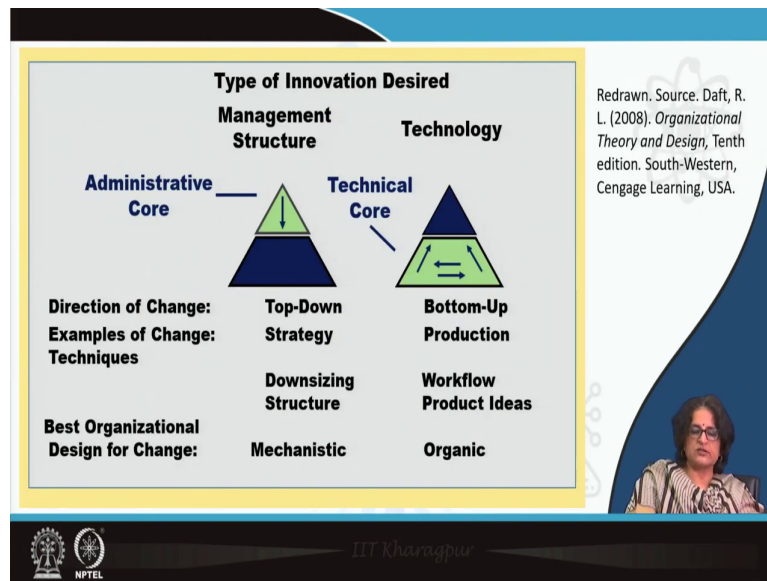So, organization possess two cores the management core and the technical core with the former being above the latter in the hierarchy.

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I will just show a figure to you and you can see here that organizations possess 2 cores the management core and the technical core and with the management or the administrative core you know being above the latter. Now, management core is responsible for organizational structure and control and coordination and concerns regarding the environmental sectors pertaining to the economy, to finance, HR government and competitors.

And the technical core is responsible you know for transformation of inputs into outputs and involves itself with concerns regarding the environmental sectors, pertaining to technology and customers. So, the cores have their own employees, their own tasks and their environmental domains and innovation can begin in either of the cores.

Now, if you if we talk of the management changes which I said pertain to organizational design and structure and you know they are less frequent than technical changes. You know

the technical changes relate more to the production techniques and adoption of new technologies and any and every organization possesses these 2 cores the management or the administrative core and the technology core and with the management core being above the latter in the hierarchy.
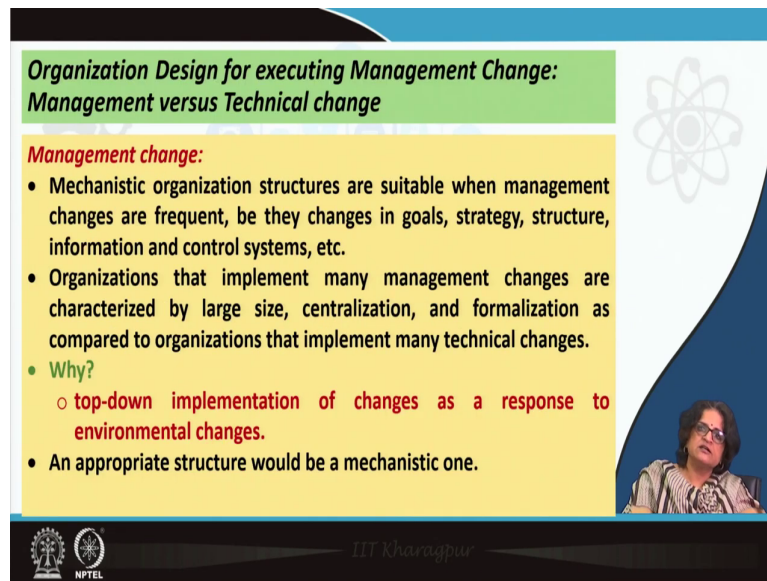
The management core is above the management core is above the technological core in the hierarchy. So, organization possesses two cores the management core and the technical core with the former or the management core being above the technical core and management core is responsible for organizational structure, control and coordination and pertains to you know the economy, finance, HR.

On the other hand, the technical core responsible for transformation of inputs into outputs and concerns itself with the customers and with technology the so, the cores have their own employees, tasks and environmental domains and innovation can happen in either of these.

Now, so when we talk of such a change and when we talk of you know the organization design for executing management change and we see a difference in the management versus technical. In the management change you see mechanistic organizational structures are suitable when management changes are frequent, be they changes in goals, strategy, structure, information and control systems etcetera.

And organizations that implement many management changes are characterized by large size centralization and formalization as compared to organizations which implement you know many technical changes. Why? Because a top down implementation of changes as a response to environmental changes. So, in such a case the appropriate structure is a mechanistic one.
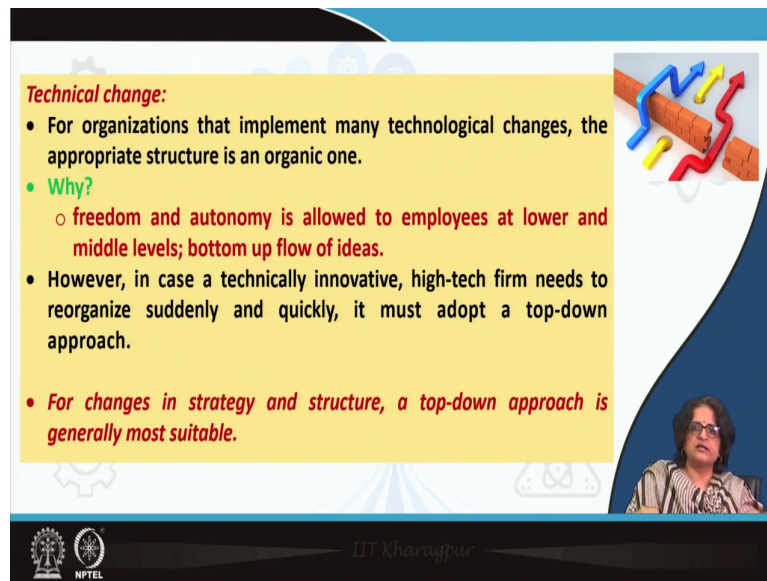
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So, if you see this here that you know in case of management change mechanistic organization structures are suitable when management changes are frequent, be they changes related to goals, information systems, strategy, structure etcetera. And organizations that implement many management changes are characterized by large size.

And large size and centralization and formalization as compared to organizations that implement many technical changes. Why? Because a top down because a top down implementation of changes as a response to environmental changes and the appropriate structure in this case is a mechanistic one.
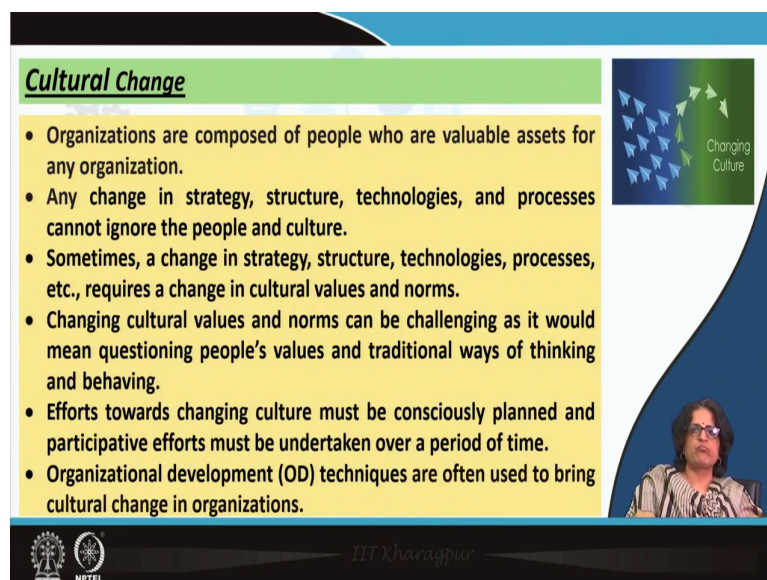
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If you go to the technical change for organizations that implement many technological changes the appropriate structure is organic one. Why? Because the freedom and autonomy is allowed to employees at different levels and that leads to a bottom up flow of ideas as well. So, freedom and autonomy is allowed to employees at different levels and which would mean that they allowed to freely express their ideas.

However, in case a technically innovative high-tech firm needs to reorganize very suddenly and very quickly in that case it must actually adopt a top-down approach so, for changes in strategy and structure a top-down approach is generally more suitable because, it is something which can be enforced easily.

So, this is what you can see that in the case of management structure it is a top-down strategy in the case of technological changes it is a bottom up. Examples of change you know pertain to in the case of management structure pertain to strategy, downsizing and structure.

Examples of change of pertaining to technology relate to production work flow product ideas. And the best organizational design for management structural related changes is mechanistic and the best organizational design for technological changes is organic.

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The next that has to be next kind of change which needs to be considered is cultural change, organizations comprise people who are valuable assets for the organization and any change in strategy or structure or technology or processes cannot ignore the people, cannot ignore the vital assets of the organization which is the people themselves.

So, sometimes a change in strategy, structure, technologies, processes requires change in cultural norms, values as well and changing people's you know cultural values and norms is very very challenging as it would mean questioning their you know traditional ways of thinking and behaving.

So, efforts towards changing culture must be very carefully and very consciously planned and this is something which is not going to happen in one day it is going to take some time it is going to say take some you know time it happened over a period of time. Organizational developmental interventions or techniques are often used to bring about such a change and we will be talking about that in the subsequent lectures.
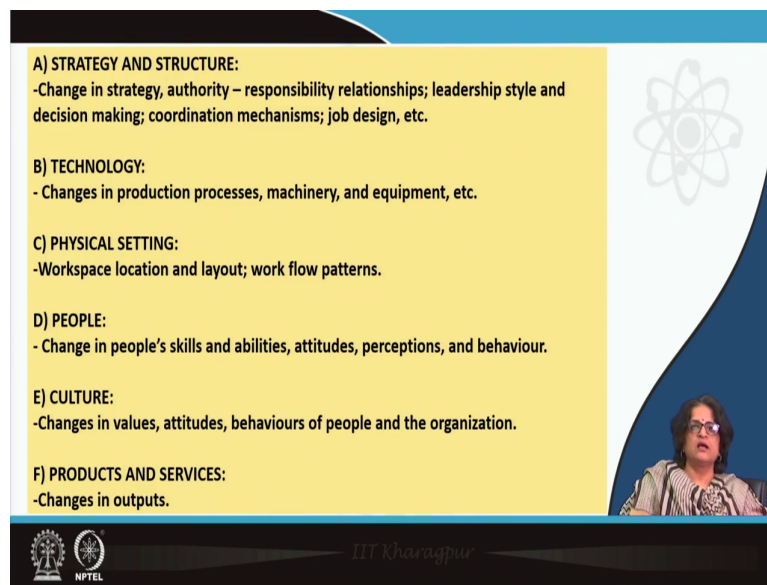
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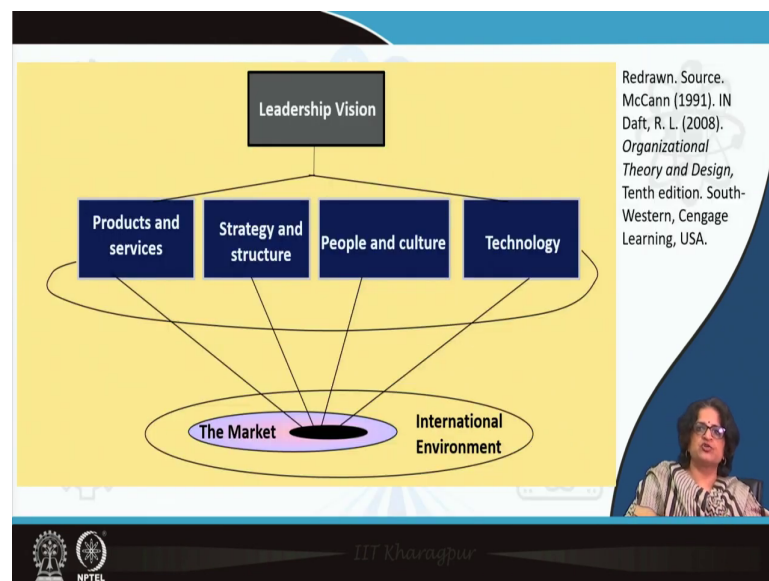
So, here if you see what according to McCann change is required in the products in the strategy and structure in the people and culture as well as in technology and so when change

happens it would relate to you know changes across all of these 4. Whether it is technology, whether it is you know structure and strategy, whether it is people and culture and whether it is the products and services.

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So, in a nutshell this summarizes changes in strategy and structure, technology, workplace settings, physical settings people culture and products and services.

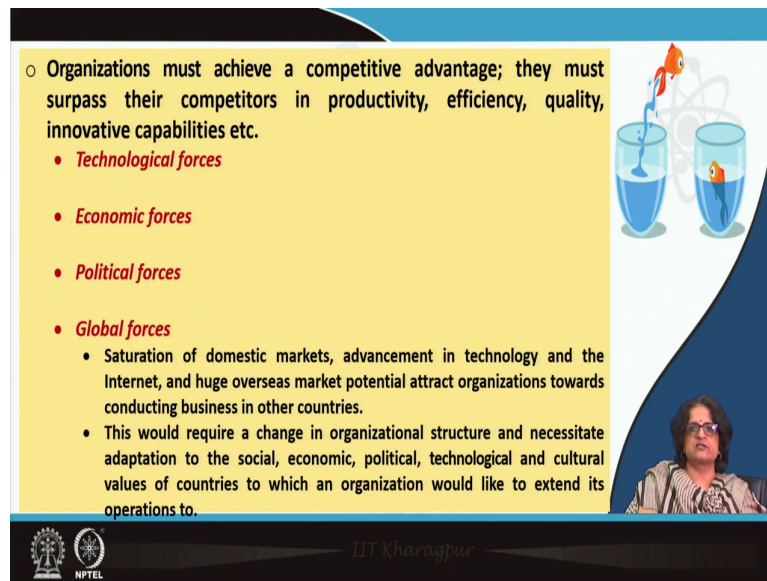(Refer Slide Time: 25:00)

So, forces for environmental change - the environmental forces impact the functioning of an organization and organizations must respond to these forces, the forces for change majorly is competition the major force of change is competition. So, the forces for change include competitive forces. And an organization must match or outperform its competitors and hence competition is an important force for change.

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So, organizations must achieve competitive advantage they must surpass their competitors in production, in productivity, in efficiency, in qualitative quality you know and innovativeness. So, organizations the biggest actually the major force of change an organizational change lies in the competitive forces and to able to be able to actually you know achieve competitive advantage it is important that organizations surpass their competitors in terms of productivity, in terms of efficiency, in terms of you know quality in terms of innovation, in terms of I mean not only innovation but also innovative capabilities.
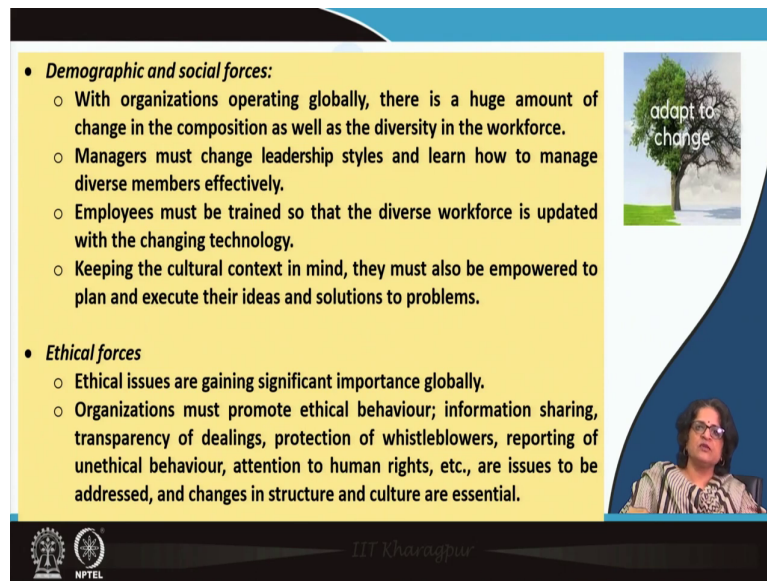
So, technological forces economic forces political forces are forces which you know get which organizations have to you know deal with and they are forced to you know move towards change to be able to deal with these challenges, forced by technological advancements or by economic factors or by political factors or by global forces.

Now, when we talk of global forces there are certain very specific forces of change which a saturation of domestic markets, advancement in technology and the internet and huge overseas market potential which attracts the organizations towards conducting business in other countries. And this would require a change in the organizational structure as we have discussed in the previous week.

And necessitate adaptation to we discussed it last week in the previous lectures where we spoke about how organizations must change their structure and their design to keep to you know in the era of globalization. So, when global forces you know drive organizations towards change it could require a change in the organizational structure and necessitate adaptation to social economic cultural political technological and cultural values of country of countries to which an organization would like to extend it is operations to.

So, saturation of global markets advancement in technology and internet and huge overseas market potential, attracts organizations towards conducting business overseas and this would require a change in organizational structure and necessitate in adaptation to social cultural political economic and you know of course and cultural values of countries to which the organization would like to expand and extend its operations to.

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We see a huge amount of change in the demographic and social forces with organizations operating globally there is huge amount of change in the composition of people as well as in the diversity, managers must change leadership style and learn how to manage such diverse work force effectively and people must be trained.

So, that diverse work force is updated with changing technology and keeping the cultural context in mind employees must also be empowered to plan and execute their ideas and to solve problems. Another important issue to take care of is ethical considerations. Ethical issues are gaining significant importance globally and you know organizations must promote ethical behaviour information sharing transparency of dealings.

You know protection of whistle blowers you know reporting of unethical behaviour human rights, attention to human rights environmental protection you know and these have to be

addressed and so a change in culture is essential. So, you know a change in structure and culture is also essential.

So, apart from the various forces which we spoke and related to in the previous slides which is related to technology economy economic forces or say you know global forces or political forces. And we also spoke about different kinds of change which have to be brought about in the organization there are these 2 additional issues which need to be discussed and which is demographic and social forces as well as ethical forces.
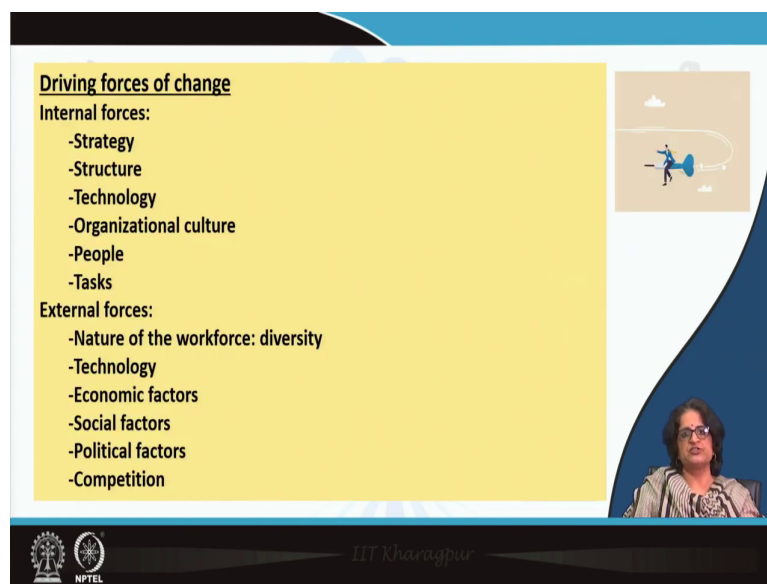
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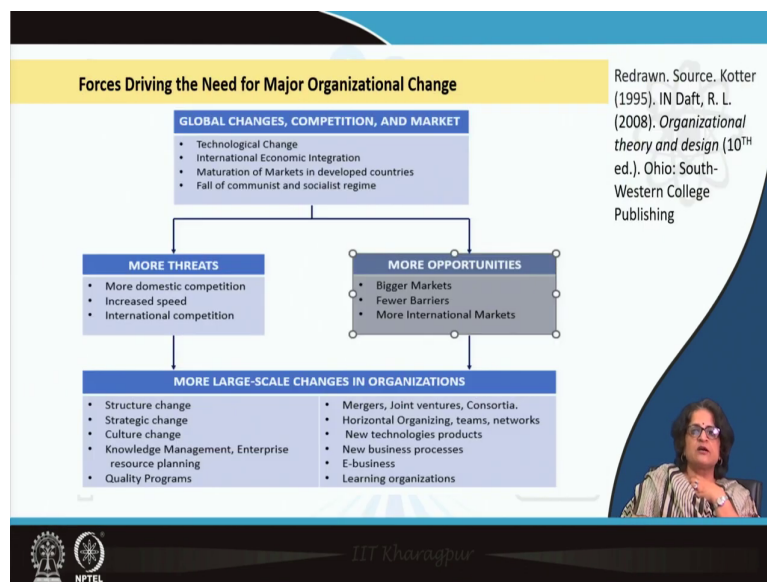
So, coming to the forces which drive towards change technological change, economic integration, maturation of markets in developed countries and fall of the communist and socialist regime such global changes and in changes in the in competition and market of our opportunities and threats.

There are more threats there are more opportunities and all of this would lead to changes in structure, strategy, culture, knowledge management, quality programs also inter organizational linkages, horizontal organizing organization, new business processes, E-business and learning organizations.

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So, the driving forces of change can be broadly categorized into Internal and External. Internal forces are strategy, structure, technology, culture, people, tasks and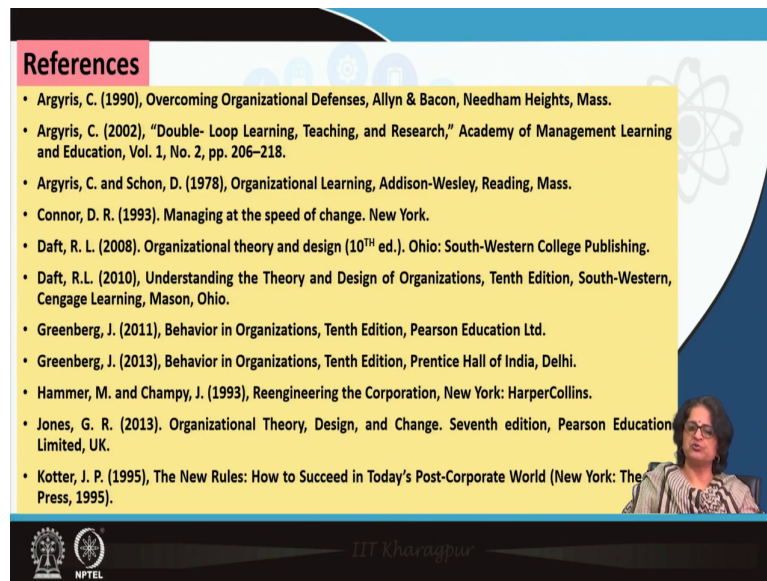 external forces are nature of the workforce, technology, economic factors, social factors, political factors and competition.
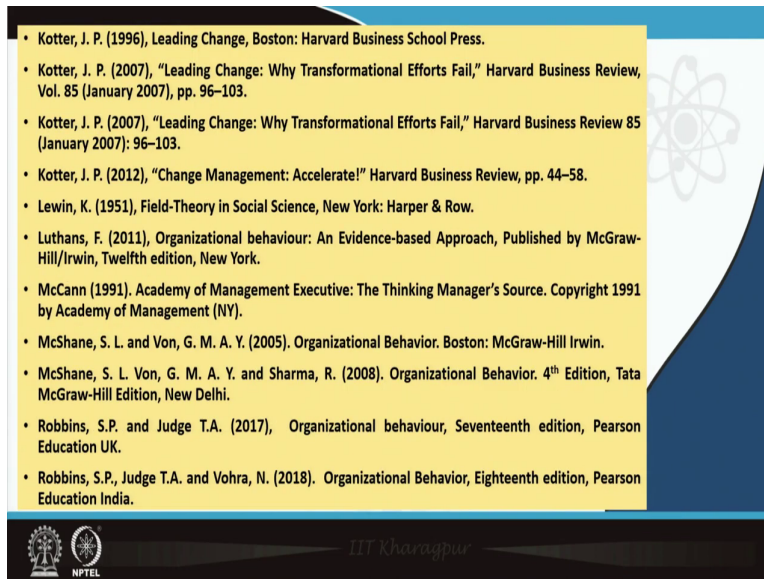
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So, with this I come to an end of this lecture. These are the references and we shall continue with the topic in the next lecture.

Thank you.