Organization Theory/Structure and Design
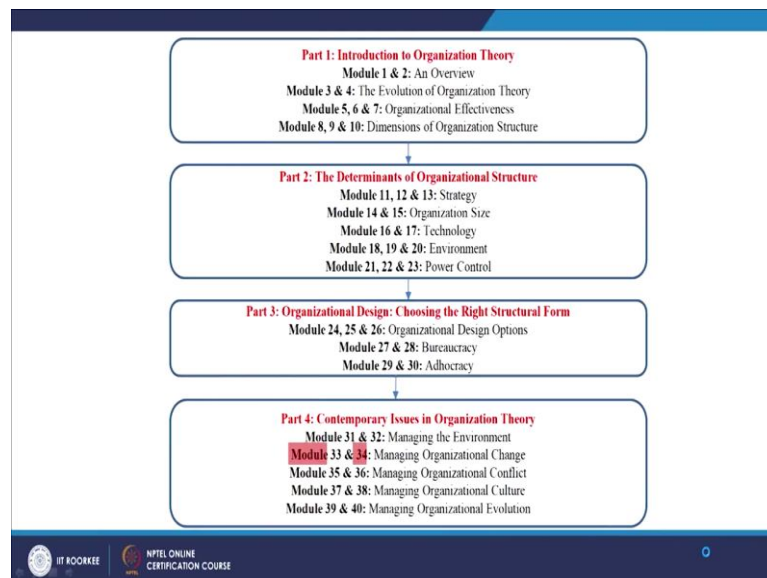**Prof. Zillur Rahman**
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Indian Institute of Technology, Roorkee

Lecture - 34
Managing Organizational Change – II

Welcome to module-34 of this course Organization Theory Structure and Design.

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Now, as you can see from this slide, now we are talking about managing organizational change which we started in module-33, and we will complete that in this module that is module-34.

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And in this module, we will explain the three-step change process; describe organizational designs that fosters innovation; and explain why stability, not change, characterizes most organizations.

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So, now continuing our discussion, we have talked about the determinants, organization initiatives, and intervention strategy in the last module that is module-33. Now, we will talk about this portion that is shown in in this red box on this slide.
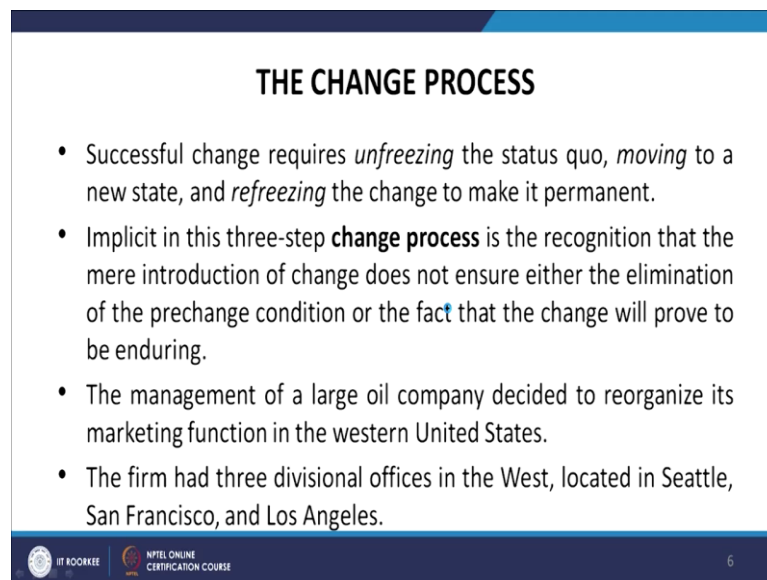
So, now, we are talking of implementation. Once forces for initiating change exist, someone has assumed the change-agent's role, and it has been determined what it is that is to be changed, we need to consider how to implement change. We begin by looking at the steps in the change process. Then we turn our attention to implementation tactics.

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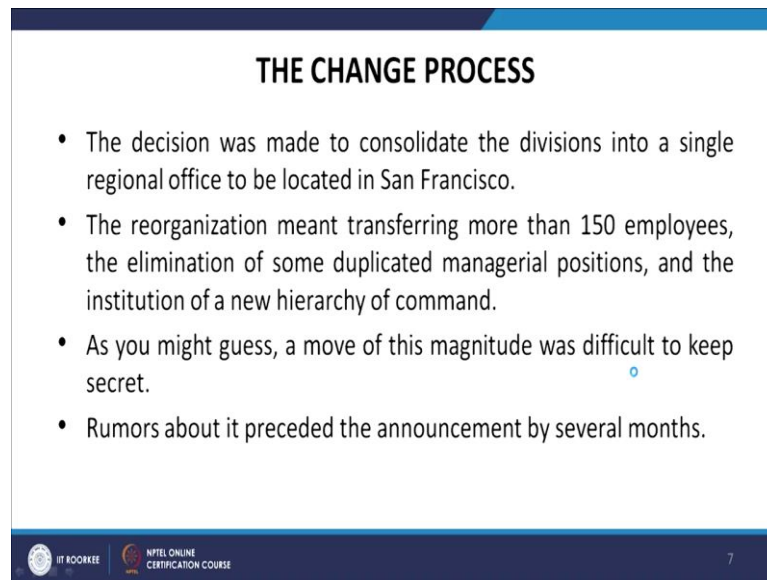So, we will start with the change process that is this one. Successful change requires unfreezing the status quo, moving to a new state, and refreezing the change to make it permanent. Implicit in this three-step change process is the recognition that the mere introduction of change does not ensure either the elimination of the prechange condition or the fact that the change will prove to be enduring.

The management of a large oil company decided to reorganize its marketing function in the western United States. The firm had three divisional offices in the West, located in Seattle, San Francisco, and Los Angeles.
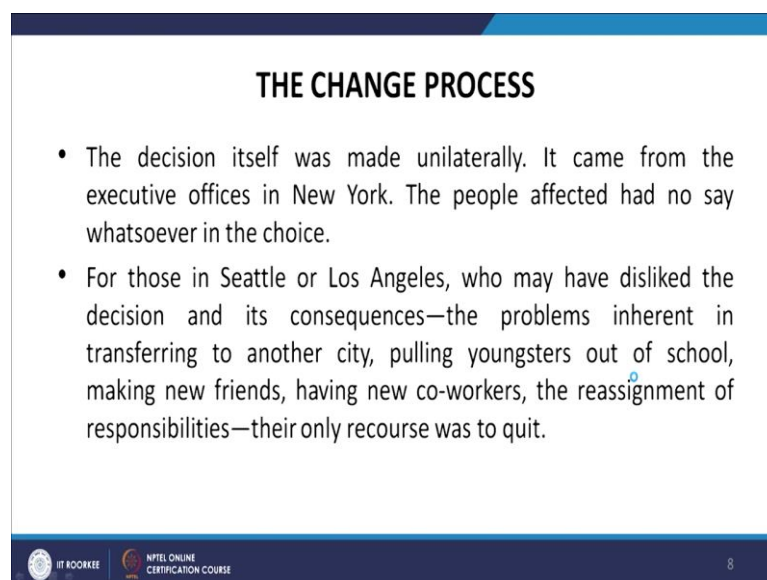
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THE CHANGE PROCESS

- The decision was made to consolidate the divisions into a single regional office to be located in San Francisco.
- The reorganization meant transferring more than 150 employees, the elimination of some duplicated managerial positions, and the institution of a new hierarchy of command.
- As you might guess, a move of this magnitude was difficult to keep secret.
- Rumors about it preceded the announcement by several months.

The decision was made to consolidate the divisions into a single regional office to be located in San Francisco. The reorganization meant transfering more than 150 employees, the elimination of some duplicate managerial positions, and the institution of a new hierarchy of command. As you might guess, a move of this magnitude was difficult to keep secret. Rumors about it preceded the announcement by several months.

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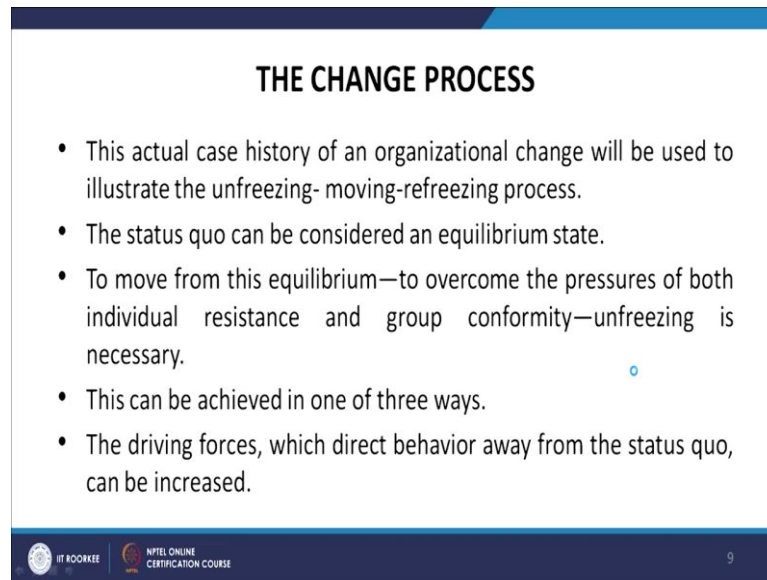

THE CHANGE PROCESS

- The decision itself was made unilaterally. It came from the executive offices in New York. The people affected had no say whatsoever in the choice.
- For those in Seattle or Los Angeles, who may have disliked the decision and its consequences—the problems inherent in transferring to another city, pulling youngsters out of school, making new friends, having new co-workers, the reassignment of responsibilities—their only recourse was to quit.

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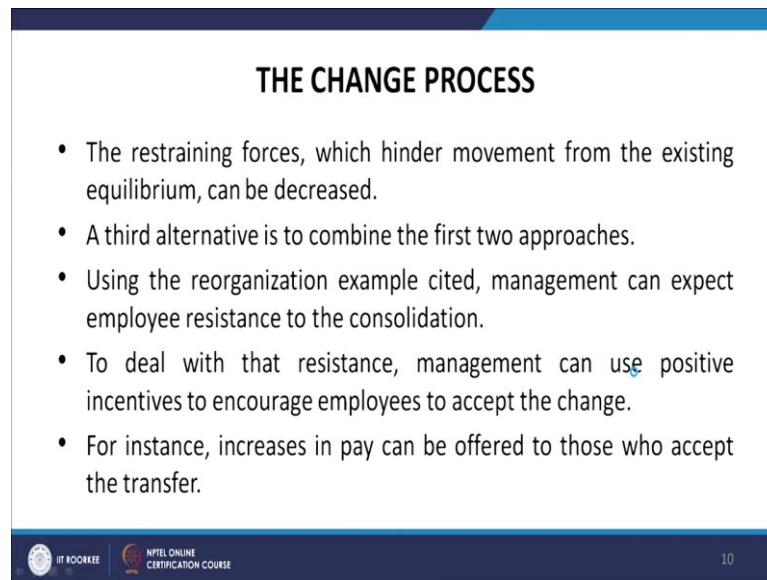
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This actual case history of an organizational change will be used to illustrate the unfreezing – moving – refreezing process. The status quo can be considered an equilibrium state. To move from this equilibrium – to overcome the pressures of both individual resistance and group conformity – unfreezing is necessary. This can be achieved in one of the three ways. The driving force, which direct behavior away from the status quo, can be increased.

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THE CHANGE PROCESS
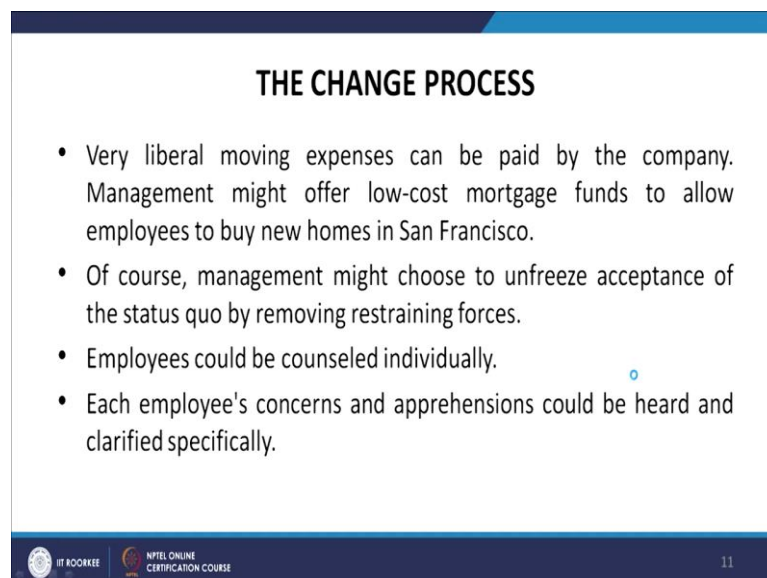
- The restraining forces, which hinder movement from the existing equilibrium, can be decreased.
- A third alternative is to combine the first two approaches.
- Using the reorganization example cited, management can expect employee resistance to the consolidation.
- To deal with that resistance, management can use positive incentives to encourage employees to accept the change.
- For instance, increases in pay can be offered to those who accept the transfer.

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To deal with this resistance, management can use positive incentives to encourage employees to accept the change. For instance, increases in pay can be offered to those who accept the transfer.

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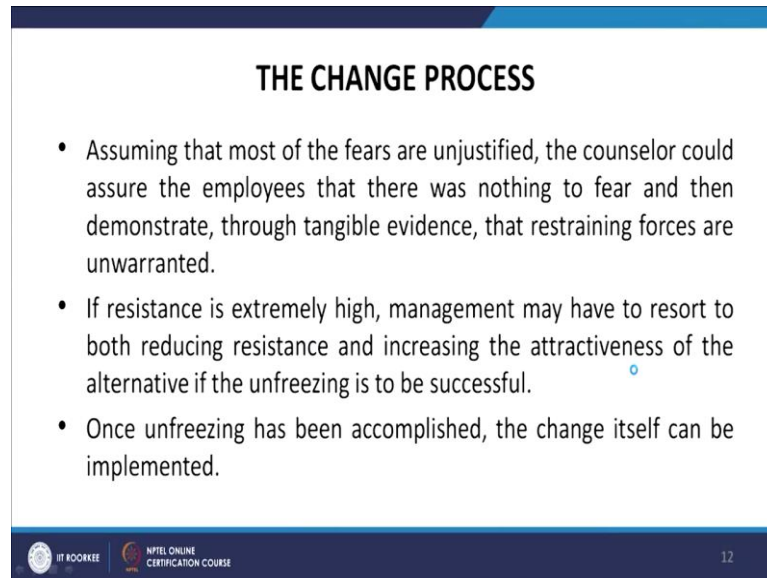
THE CHANGE PROCESS

- Very liberal moving expenses can be paid by the company. Management might offer low-cost mortgage funds to allow employees to buy new homes in San Francisco.
- Of course, management might choose to unfreeze acceptance of the status quo by removing restraining forces.
- Employees could be counseled individually.
- Each employee's concerns and apprehensions could be heard and clarified specifically.

Very liberal moving expenses can be paid by the company. Management might offer low-cost mortgage funds to allow employees to buy new homes in San Francisco. Of course, management might choose to unfreeze acceptance of the status quo by removing restraining forces. Employees could be counseled individually. Each employee's concerns and apprehensions can be heard and clarified specifically.
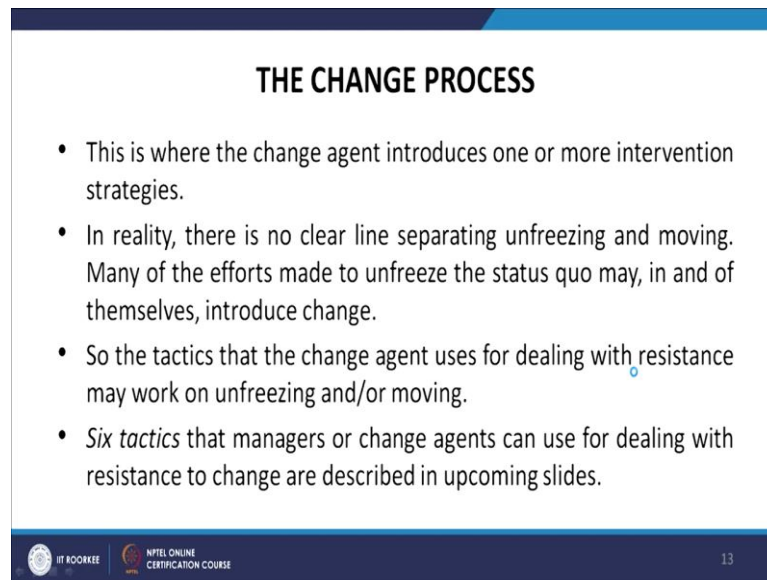
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Assuming that most of the fears are unjustified, the counselor could assure the employees that there was nothing to fear and then demonstrate, through tangible evidence, that restraining forces are unwarranted. If resistance is extremely high, management may have to resort to both reducing resistance and increasing the attractiveness of the alternative if the unfreezing is to be successful. Once unfreezing has been accomplished, the change itself can be implemented.

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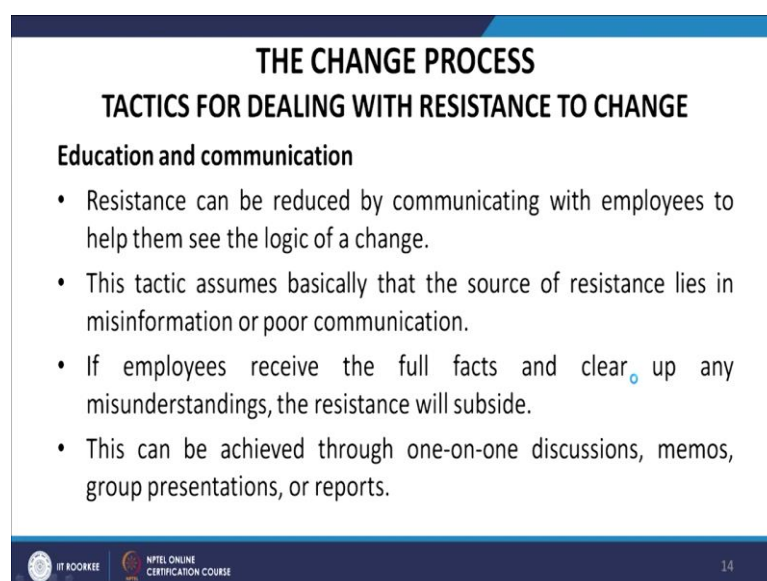
This is where the change agent introduces one or more intervention strategies. In reality, there is no clear line separating unfreezing and moving. Many of the efforts made to unfreeze the status quo may, in and of themselves, introduce change.

So, the tactics that the change agent uses for dealing with resistance may work on unfreezing and, or moving. Six tactics that managers or change agents can use for dealing with resistance to change are described in the upcoming slides.

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So, now we are talking about the tactics for dealing with resistance to change. So, the first of the tactics is education and communication. Resistance can be reduced by communicating with employees to help them see the logic of a change. This tactic assumes basically that the source of resistance lies in the misinformation or poor communication.
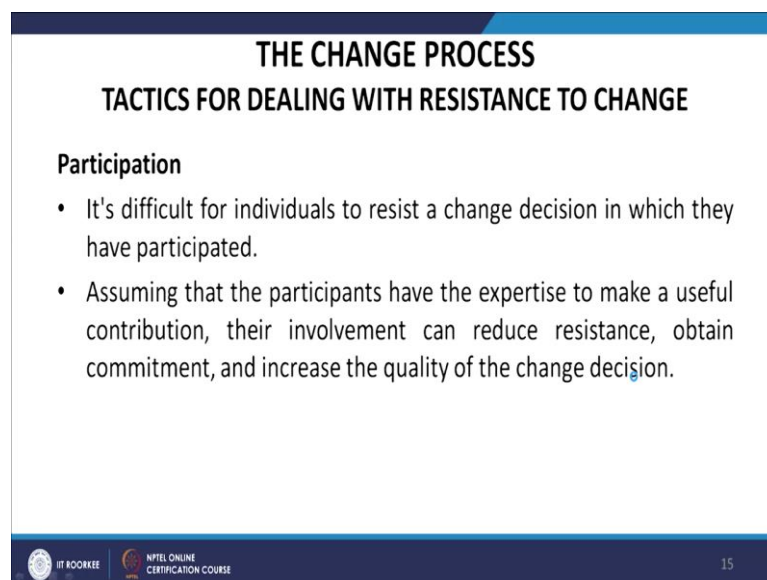
If employees receive the full facts and clear up any misunderstandings, the resistance will subside. This can be achieved through one-to-one discussions, memos, group presentations, or reports.

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The second of the tactics is participation. It is difficult for individuals to resist a change decision in which they have participated. Assuming that the participants have the expertise to make a useful contribution, their involvement can reduce resistance, obtain commitment, and increase the quality of the change decision

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The 3rd is facilitation and support. Change agents can offer a range of supportive efforts to reduce resistance. When employee fear and anxiety are high, employees counseling and therapy, new skills training, or short, paid leaves of absence may facilitate adjustment.

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The 4th one is negotiation. This tactic requires the exchange of something of value for lessening the resistance. For instance, if the resistance is centered in a few powerful

individuals, a specific reward package can be negotiated that will meet their individual needs.

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Then comes manipulation and cooptation. Manipulation refers to covert influence attempts. Twisting and distorting facts to make them appear more attractive, with holding undesirable information, or creating false rumors to get employees to accept a change are all examples of manipulation.

Cooptation is a form of both manipulation and participation. It seeks to buy off the leaders of a resistance group by giving them a key role in the change decision. The advice of those who have been coopted is sought not to result in a better decision but only to get their endorsement.

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And the 6th is coercion. This tactic is the application of direct threats or force upon the resisters. Example include threats of transfers, loss of promotions, negative performance evaluations, or a poor letter of recommendation.

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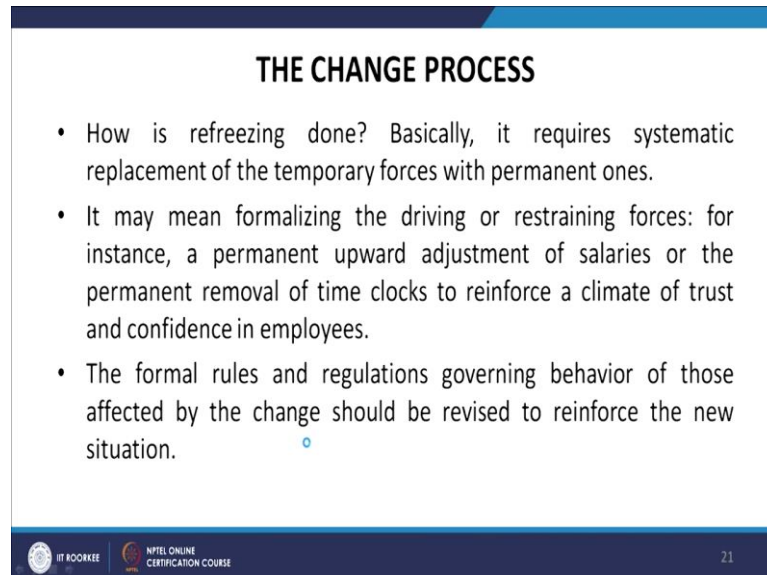
Now, coming back to the change process, assuming that a change has been implemented, if it is to be successful, the new situation needs to be refrozen, so that it can be sustained over time. Unless this last step is attended to, there is very high likelihood that the change will be short-lived and employees will attempt to revert to the prior equilibrium

state. The objective of refreezing, then, is to stabilize the new situation by balancing the driving and restraining forces. So, these two forces are to be balanced.

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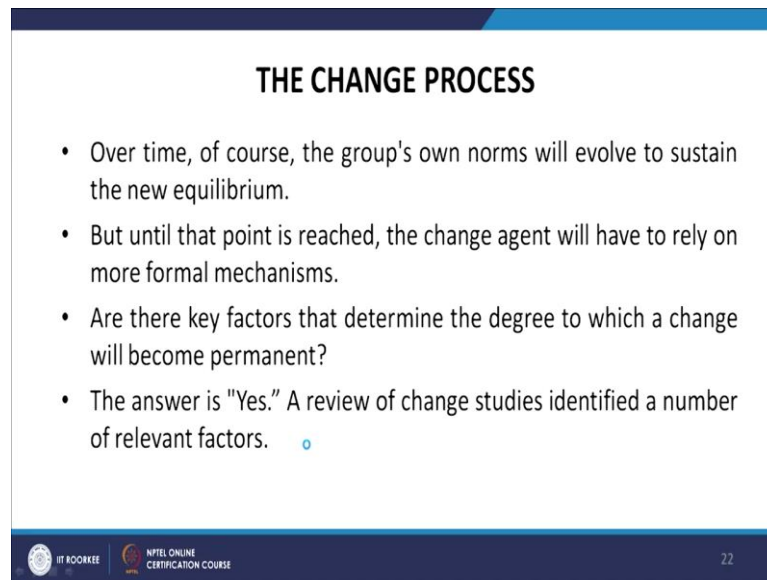
So, how is refreezing done? Basically, it requires systematic replacement of the temporary forces with permanent ones. It may mean formalizing the driving or restraining forces; for instance, a permanent upward adjustment of salaries or the permanent removal of time clocks to reinforce a climate of trust and confidence in employees. The formal rules and regulations governing behavior of those affected by the change should be revised to reinforce the new situation.
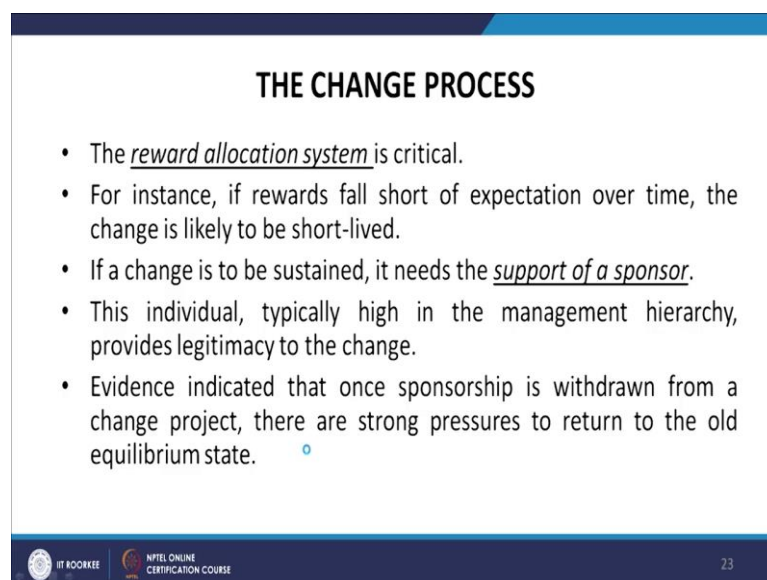
Over time, of course, the group's new norms will evolve to sustain the new equilibrium. But until that point is reached, the change agent will have to rely on more formal mechanisms. Are there key factors that determine the degree to which a change will become permanent? The answer is "Yes". A review of change studies identified a number of relevant factors.
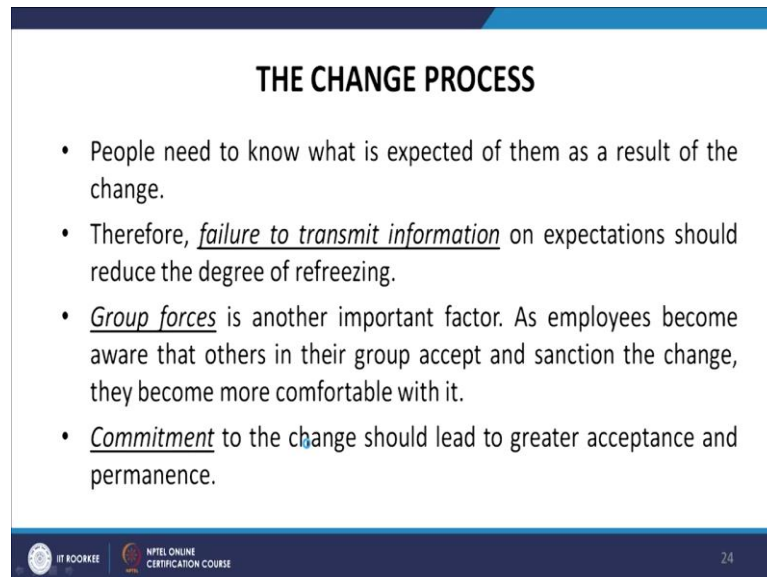
The reward allocation system is critical. For instance, if rewards fall short of expectations over time, the change is likely to be short-lived. If a change is to be

sustained, it needs the support of a sponsor. The individual, typically high in their management hierarchy, provides legitimacy to the change. Evidence indicates that once sponsorship is withdrawn from the change project, there are strong pressures to return to the old equilibrium state.

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People need to know what is expected of them as a result of the change. Therefore, failure to transmit information on expectations should reduce the degree of refreezing. Group forces is another important factor. As employees become aware that others in their group accept and sanction the change, they become more comfortable with it. Commitment to the change should lead to greater acceptance and permanence.

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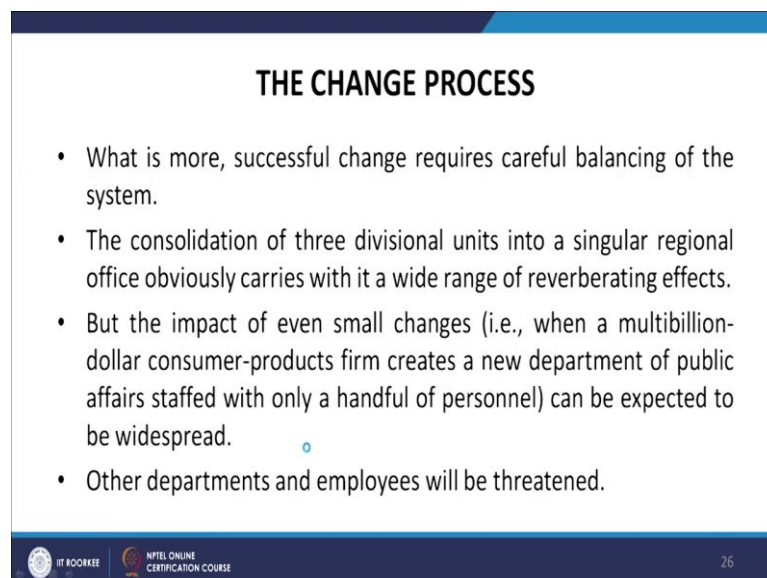
As noted earlier, if employees participate in the change decision, they can be expected to be more committed to seeing that it is successful. Change is less likely to become permanent if it is implemented in a singular unit of the organization.

Therefore, the more diffusion in the change effort, the more units that will be affected and greater legitimacy the effort will carry. These factors remind us that the organization is a system and that planned change will be most successful when all the parts within the system support the change effort.

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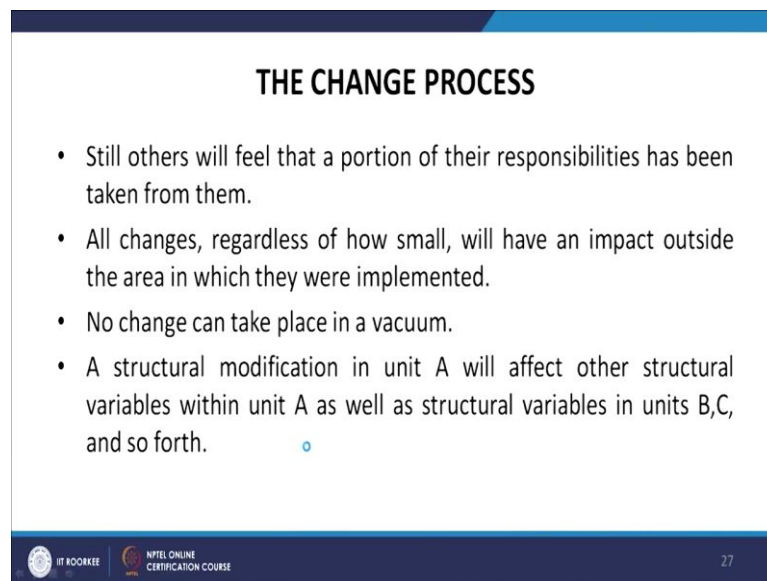
What is more, successful change requires careful balancing of the system. The consolidation of three divisional units into a singular regional office obviously, carries with it a wide range of reverberating effects. But the impact of even small change (that is, when a multibillion dollar consumer-products firm creates a new department of public affairs staffed with only a handful of personnel) can be expected to be widespread. Other departments and employees will be threatened.

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THE CHANGE PROCESS
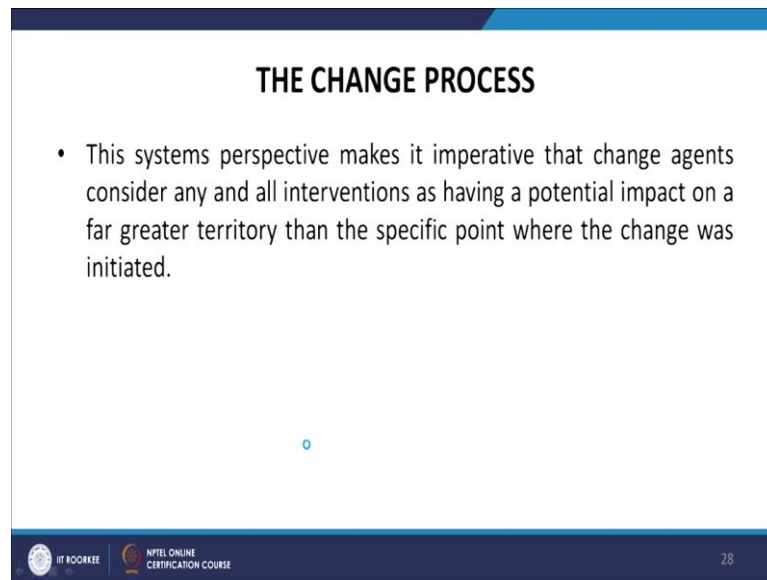
- Still others will feel that a portion of their responsibilities has been taken from them.
- All changes, regardless of how small, will have an impact outside the area in which they were implemented.
- No change can take place in a vacuum.
- A structural modification in unit A will affect other structural variables within unit A as well as structural variables in units B,C, and so forth.

Still others will feel that a portion of their responsibilities has been taken from them. All changes, regardless of how small, will have an impact outside the areas in which they were implemented. No change can take place in a vacuum. A structural modification in unit A will affect other structural variables within the unit A as well as the structural variables in unit B, C and so forth.
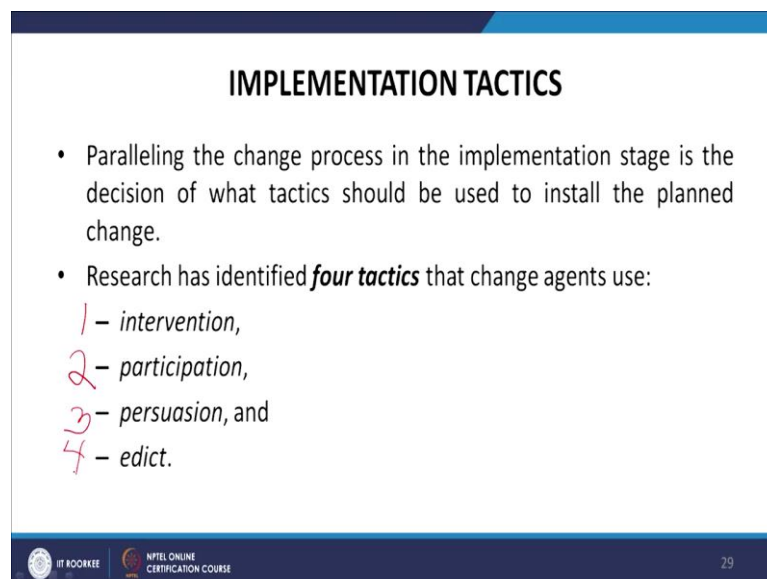
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This systems perspective makes it imperative that change agents consider any and all intervention as having a potential impact on a far greater territory than the specific point where the change was initiated.
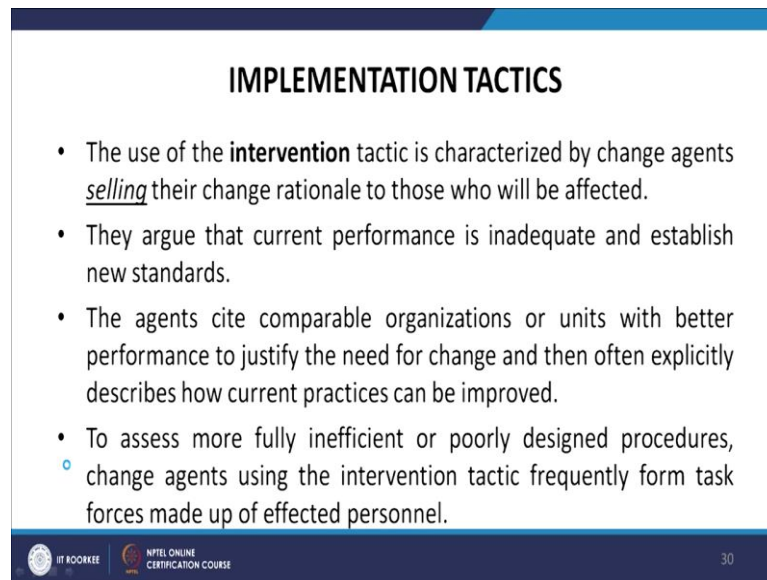
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Now, we will talk about implementation tactics. Paralleling the change process in the implementation stage is the decision of what tactics should be used to install the planned change. Research has identified four tactics that change agents use. The first one is intervention, participation, persuasion, and edict.
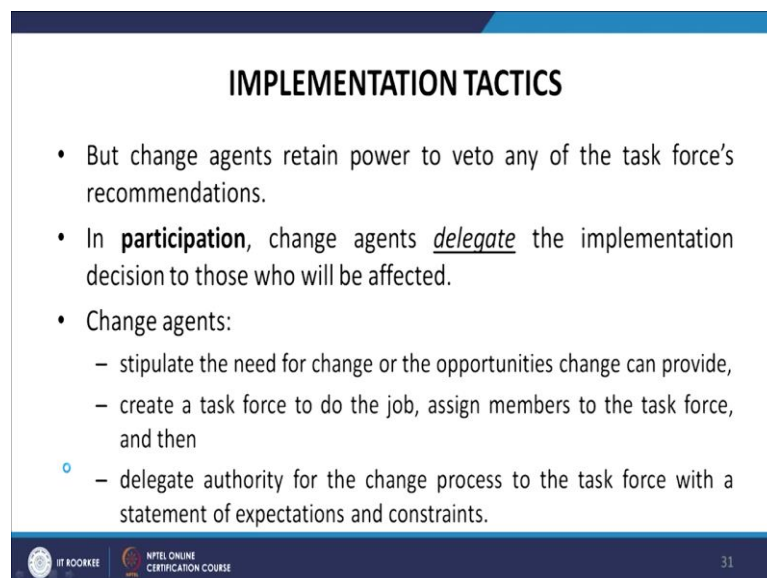
The use of intervention tactics is characterized by change agents selling their change rationale to those who will be affected. They argue that current performance is inadequate and establish new standards.

The agents cite comparable organizations or units with better performance to justify the need for change and then often explicitly describe how current practices can be improved. To assess more fully inefficient or poorly designed procedures, change agents using the intervention tactics frequently form task forces made up of affected personnel.
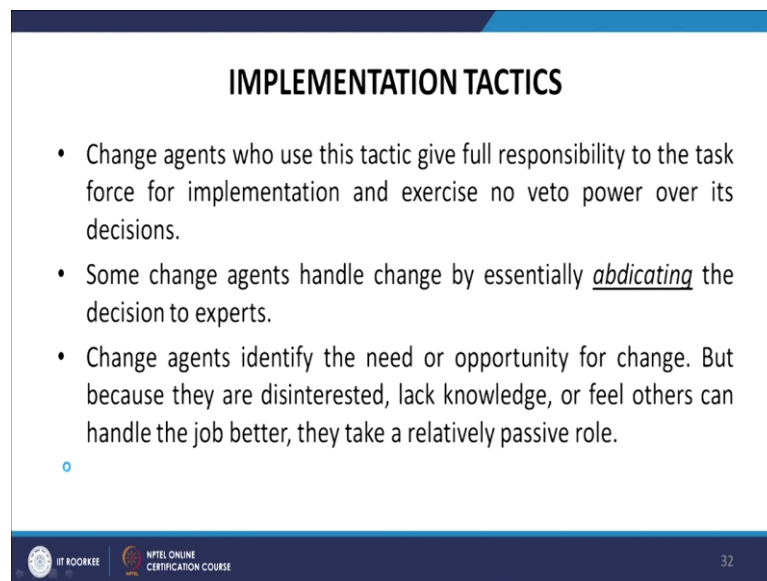
But change agents retain powers to veto any of the task force's recommendations. In participation, change agents delegate the implementation decision to those who will be affected. Therefore, change agents: stipulate the need for change or the opportunities change can provide, create a task force to do the job, assign members to the task force, and then, delegate authority for the change process to the task force with a statement of expectations and constraints.
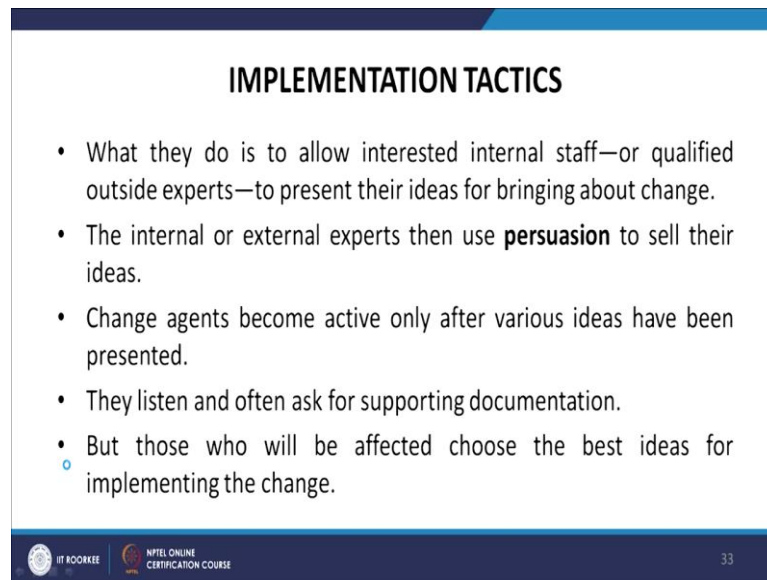
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Change agents who use this tactic give full responsibility to the task force for implementation and exercise no veto power over its decisions. Some change agents handle change by essentially abdicating the decisions to experts. Change agents identify the need or opportunity for change. But because they are disinterested lack the knowledge, or feel others can handle the job better, they take a relatively passive role.
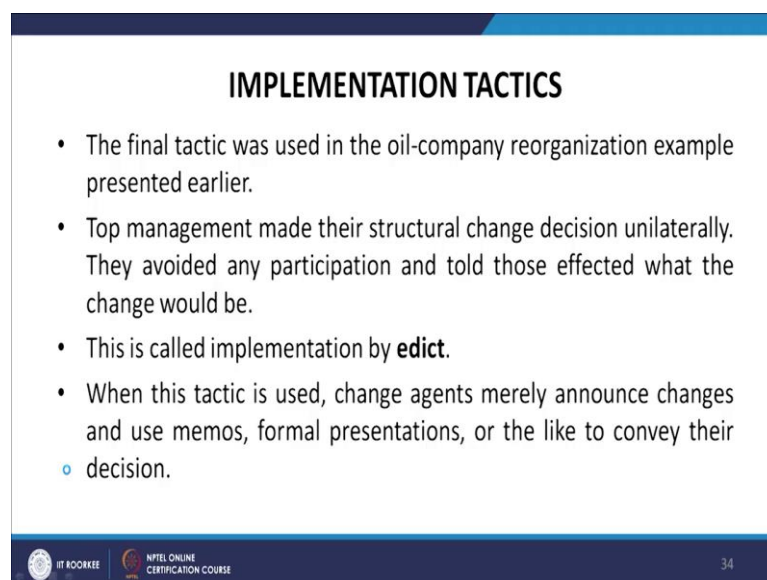
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What they do is to allow interested internal staff – or qualified outside experts – to present their ideas for bringing about change. The internal or external experts then use persuasion to sell their ideas. Change agents becomes active only after various ideas have been presented. They listen and often ask for supporting documentation. For those who will be affected choose the best ideas for implementing the change.

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The final tactics was used in the oil-company reorganization example presented earlier. Top management made their structural changes decision unilaterally. They avoided any

participation and told those affected what the change would be. This is called implementation by edict. When this tactic is used, change agents merely announce changes and use memos, formal presentations, or the like to convey their decision.

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In practice, how popular is each of these implementation tactics? A study of ninety-one cases found persuasion to be the most widely used, occurring in 42 percent of the cases. Edict was the next more popular with 23 percent, followed by intervention and participation with 19 and 17 percent, respectively.

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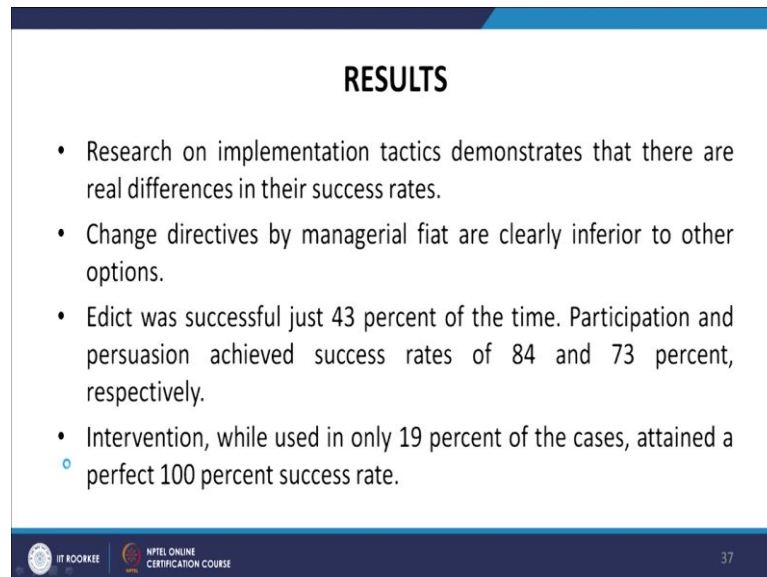
Now, we move onto the next that is the result. The model for managing organizational change culminates with change taking place and a resulting effect on organizational effectiveness. Whether that effect is positive, negative, temporary, or permanent depends on each of the earlier steps.
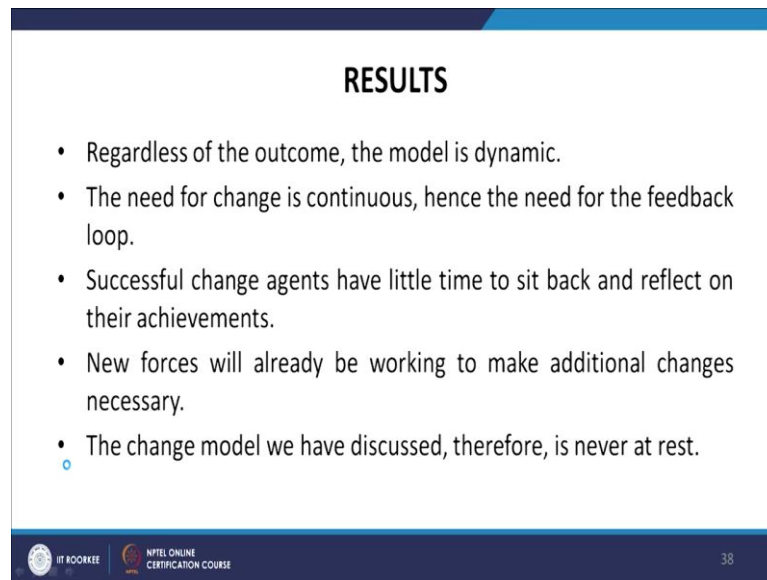
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Research on implementation tactics demonstrate that there are real differences in their success rates. Change directives by managerial fiat are clearly inferior to other options. Edict was successful just 43 percent of the time. Participation and persuasion achieved success rate of 84 and 73 percent, respectively. Intervention, while used in only 19 percent of the cases, attained a perfect 100 percent success rate.
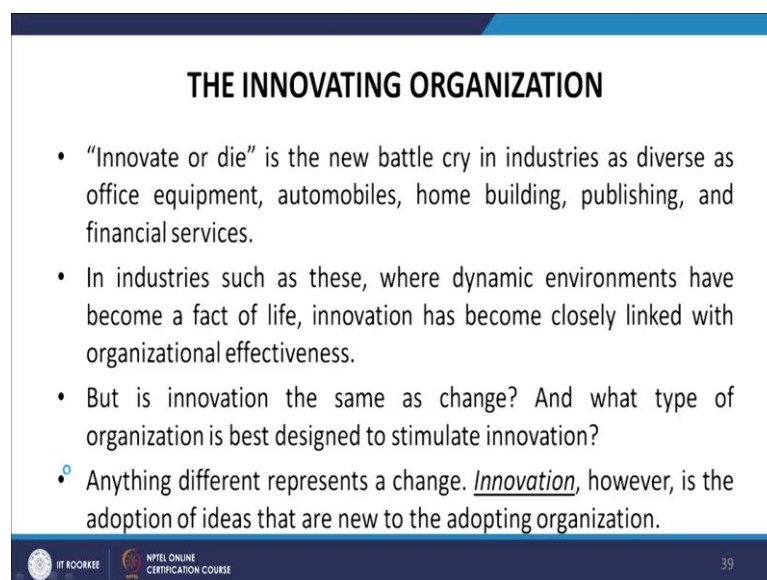
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Regardless of the outcome, the model is dynamic. The need for change is continuous, hence the need for the feedback loop. Successful change agents have little time to sit back and reflect on their achievements. New forces will already be working to make additional changes necessary. The change model we have discussed, therefore, is never at rest.

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Now, we will look at the innovative organization. Innovate or die is the new battle cry in industries as diverse as office equipment, automobiles, homebuilding, publishing, and

financial services. In industries such as these, where dynamic environments have become a fact of life, innovation have become closely linked with organizational effectiveness. But is innovation the same as change?

And what type of organization is best designed to stimulate innovation? Anything different represents a change. Innovation, however, is the adoption of ideas that are new to the adopting organization.
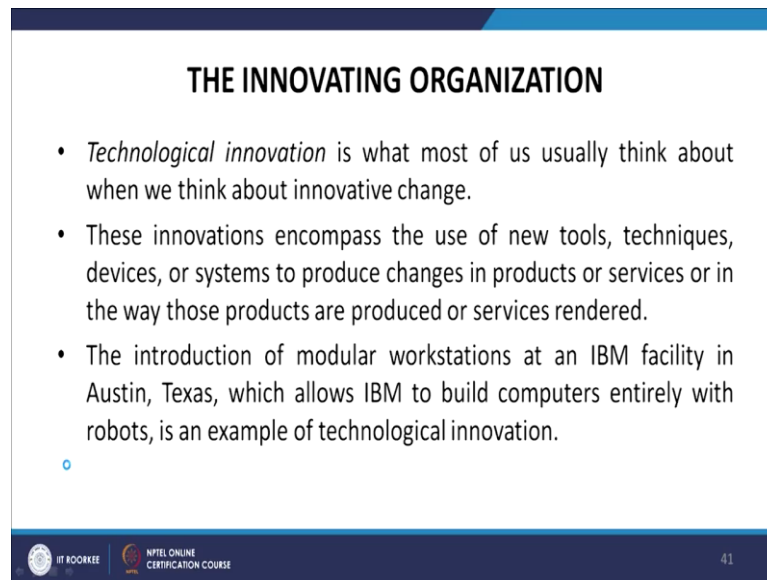
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All innovation, therefore, represents a change, but not all changes are innovative. The innovative change breaks new ground for the organization and hence is more threatening and more likely to be resisted by the organization's members. Innovation typically takes one of the two forms; technological or administrative.

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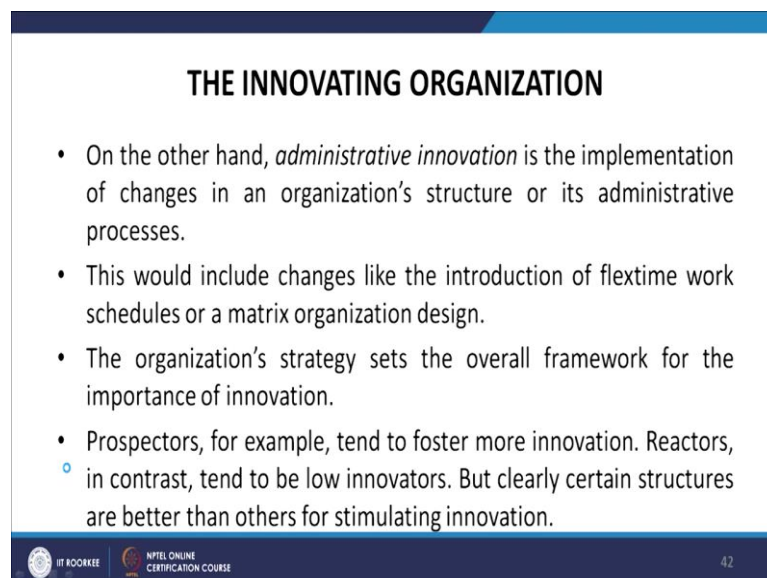

Now, let us look at what is this technological innovation. Technological innovation is what most of us usually think about when they think about innovative change.

These innovations encompass the use of new tools, techniques, devices, or systems to produce changes in products or services or in the way those products are produced or services rendered. The introduction of modular workstation at the IBM facility in Austin, at Texas which allows IBM to build computers entirely with robots, is an example of technological innovation.

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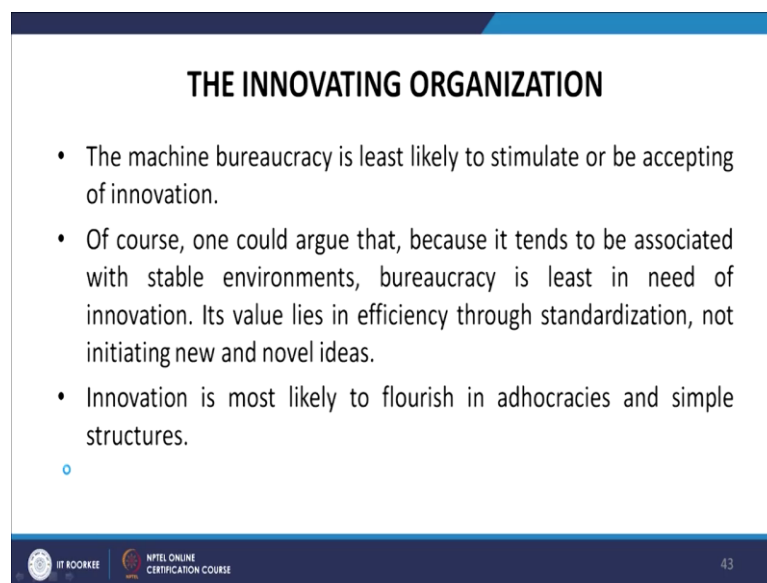
On the other hand, administrative innovation is the implementation of changes in an organization's structure or its administrative processes. This would include changes like the introduction of flextime work schedule or a matrix organization design.

The organization's strategy sets the overall framework for the importance of innovation. Prospectors for example, tend to foster more innovation. Reactors in contrast, tend to be low innovators. But clearly certain structures are better than others for stimulating innovation.
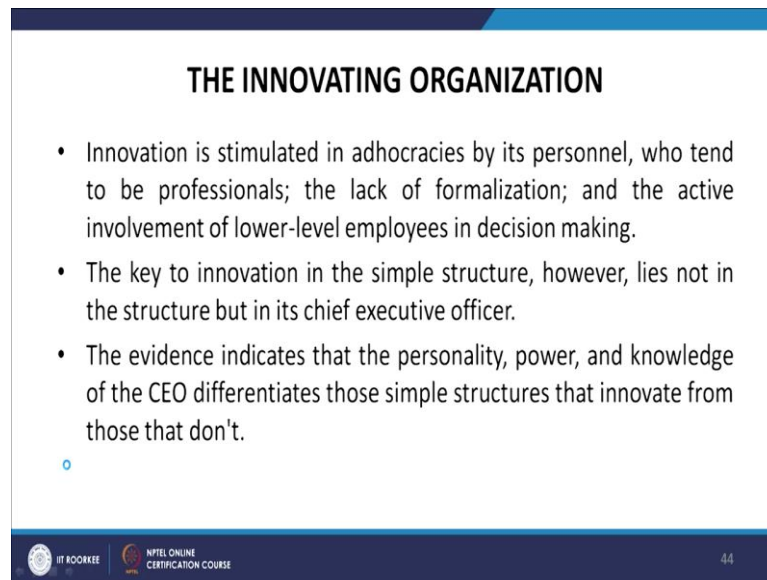
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The machine bureaucracy is least likely to stimulate or be accepting of innovation. Of course, one could argue that, because it tends to be associated with stable environments, bureaucracy is least in need of innovation. Its value lies in the efficiency through standardization, not initiating new and novel ideas. Innovation is most likely to flourish in adhocracies and simple structures.
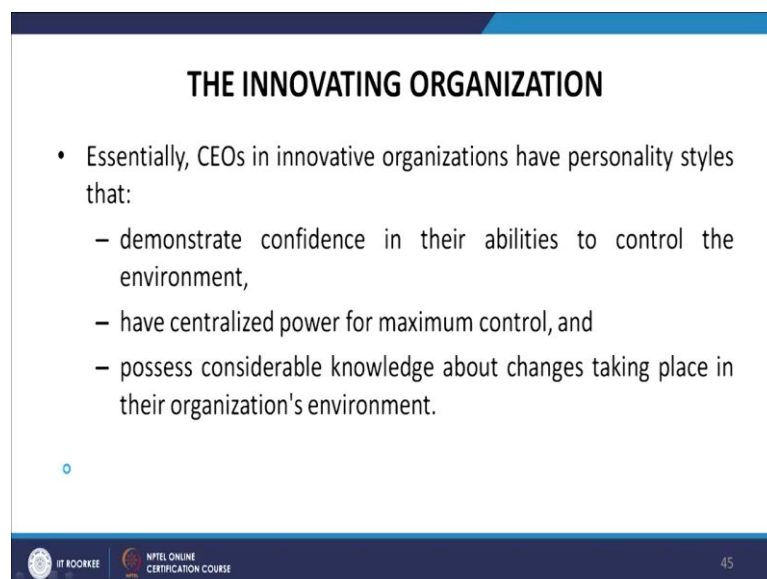
Innovation is stimulated in adhocracies by its personnel, who tend to be professionals; the lack of formalization and the active involvement of low-level employees in decision making. The key to innovation in the simple structure, however, lies not in the structure, but in its chief executive officer. The evidence indicates that the personality, power, and knowledge of the CEO differentiates those simple structures that innovate from those that do not.
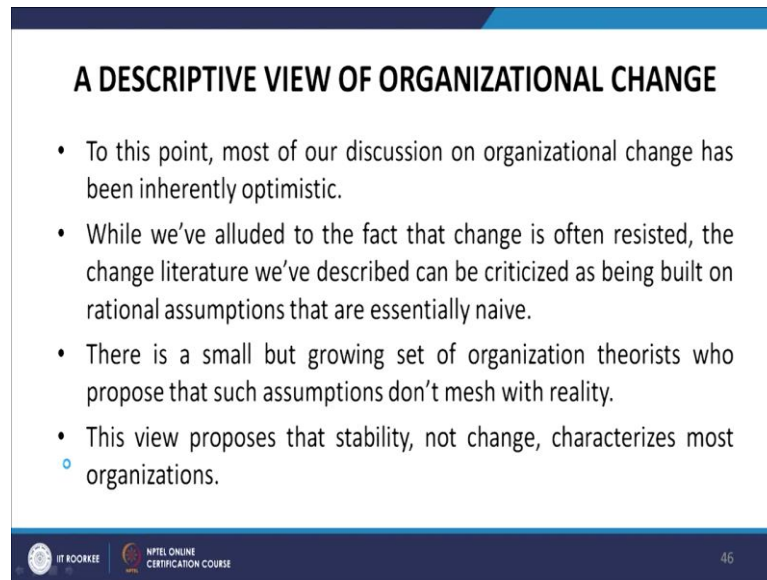
Essentially, CEOs in innovative organization have personality styles that demonstrate confidence in their abilities to control the environment, have centralized power for maximum control, and process considerable knowledge about changes taking place in their organization's environment.

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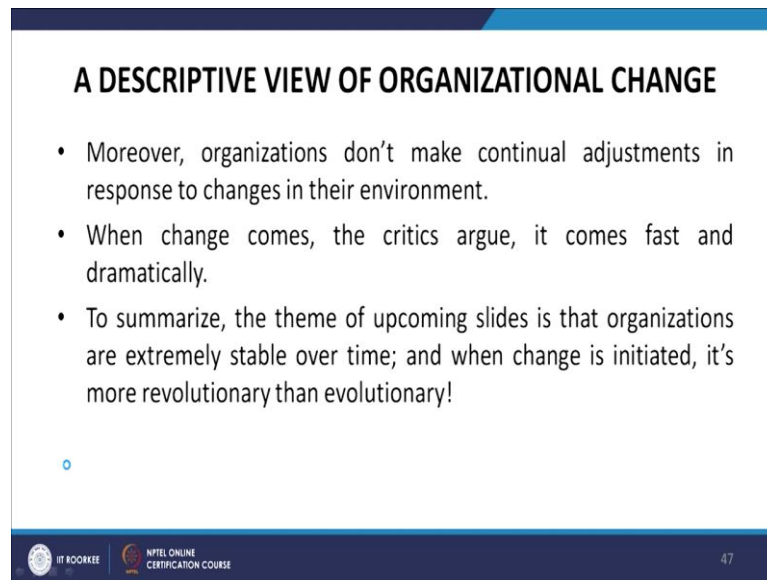## A DESCRIPTIVE VIEW OF ORGANIZATIONAL CHANGE

- To this point, most of our discussion on organizational change has been inherently optimistic.
- While we've alluded to the fact that change is often resisted, the change literature we've described can be criticized as being built on rational assumptions that are essentially naive.
- There is a small but growing set of organization theorists who propose that such assumptions don't mesh with reality.
- This view proposes that stability, not change, characterizes most organizations.

Now, we will have a descriptive view of organizational change. To this point, most of our discussion on organizational change has been inherently optimistic. While we have alluded to the fact that change is often resisted, the change literature we have described can be criticized as being built on rational assumptions that are essentially naive.

There is a small, but growing set of organization theorists who propose that such assumptions do not mesh with reality. This view proposes that stability, not change, characterizes most organizations.
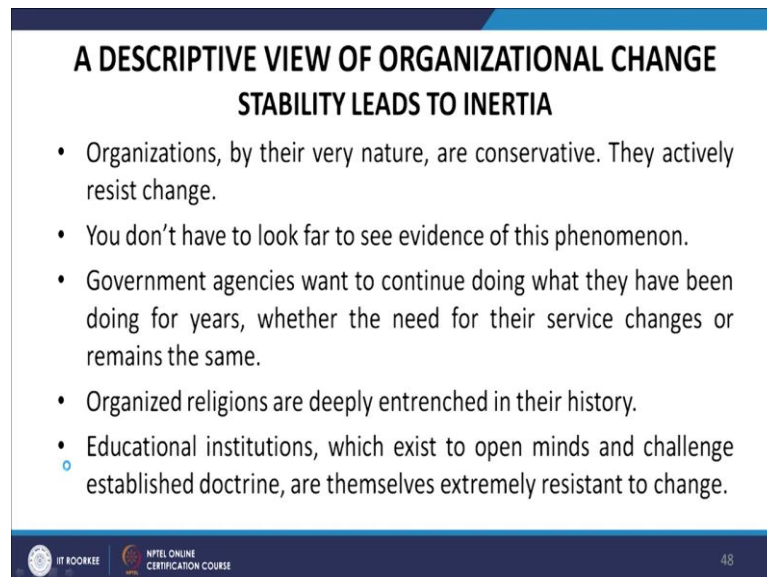
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However, organizations do not make continual adjustments in response to changes in their environment. When change comes, the critics argue, it comes fast and dramatically. To summarize, the theme of upcoming slides is that organizations are extremely stable overtime; and when change is initiated, it is more revolutionary than evolutionary.

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Let us look at stability and how it leads to inertia. Organizations by their very nature, are conservative. They actively resist change. We do not have to look far to see evidence of this phenomenon. Government agencies want to continue doing what they have been

doing for years, whether the need for their service changes or remains the same. Organized religions are deeply entrenched in their history. Educational institutions, which exist to open minds and challenge established doctrine, are themselves extremely resistant to change...
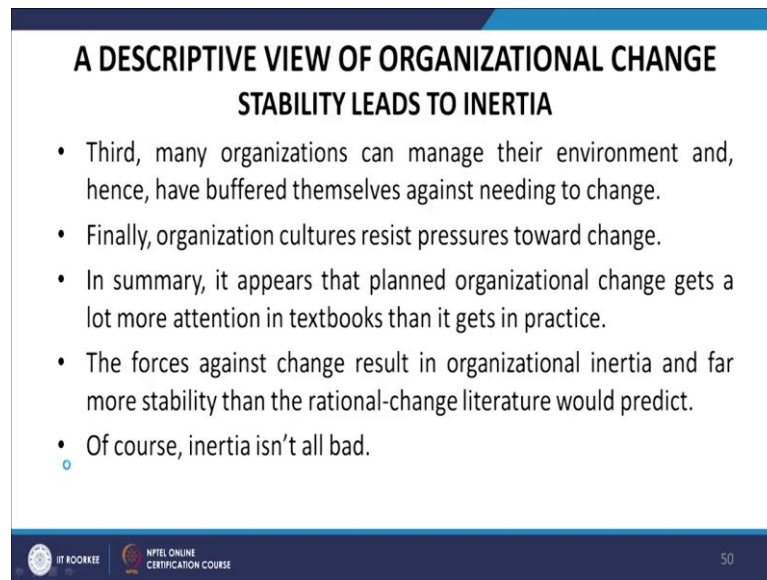
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Most school systems are using the same teaching technology today as they were fifty years ago. The majority of business firms, too, appear highly resistant to change. Why do organizations resist change? First, members fear losing what they already have. Second, most organizations are bureaucracies. Such structures have built-in mechanisms that work against change.
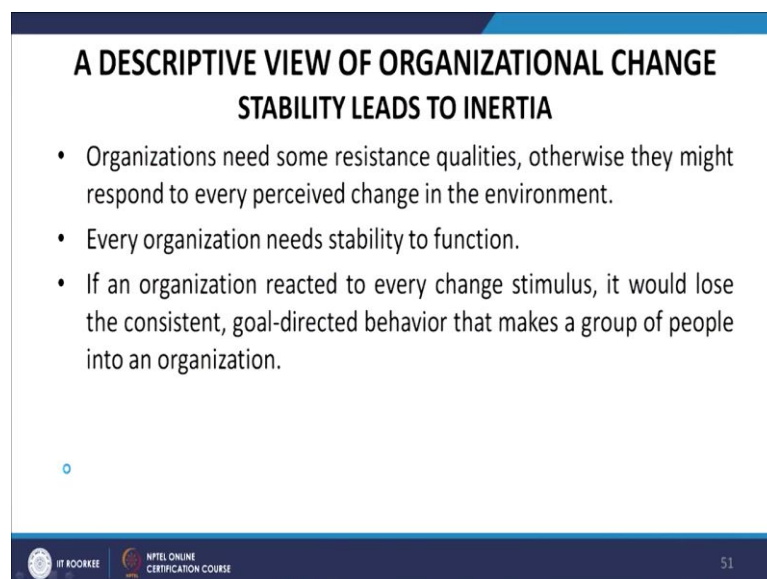
Third, many organizations can manage their environment and have buffered themselves against needing to change. Finally, organization cultures resist pressures towards change. In summary, it appears that planned organizational change gets a lot more attention in textbooks than it gets in practice. The forces against change result in organizational inertia and far more stability than the rational-change literature would predict. Of course, inertia is not all bad.
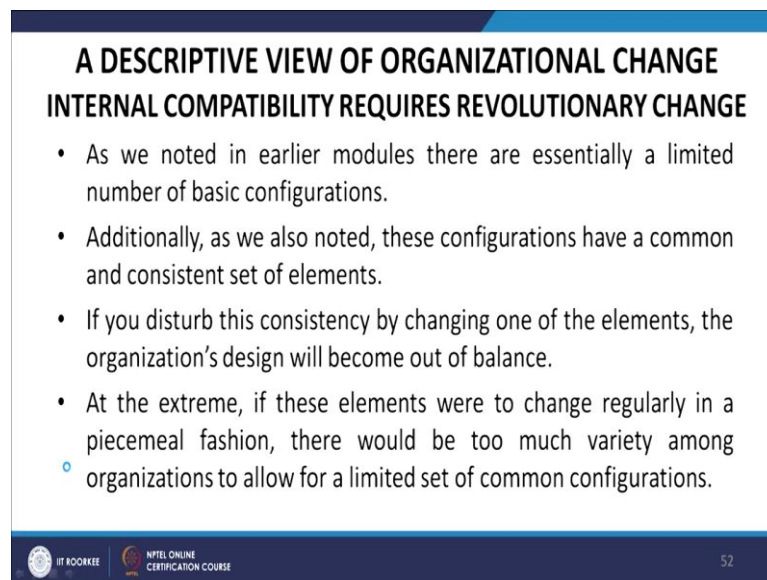
Organizations need some resistance qualities, otherwise they might respond to every pursued change in the environment. Every organization needs stability to function. If an organization reacted to every change stimulus, it would lose the consistent, goal-directed behavior that makes a group of people into an organization.

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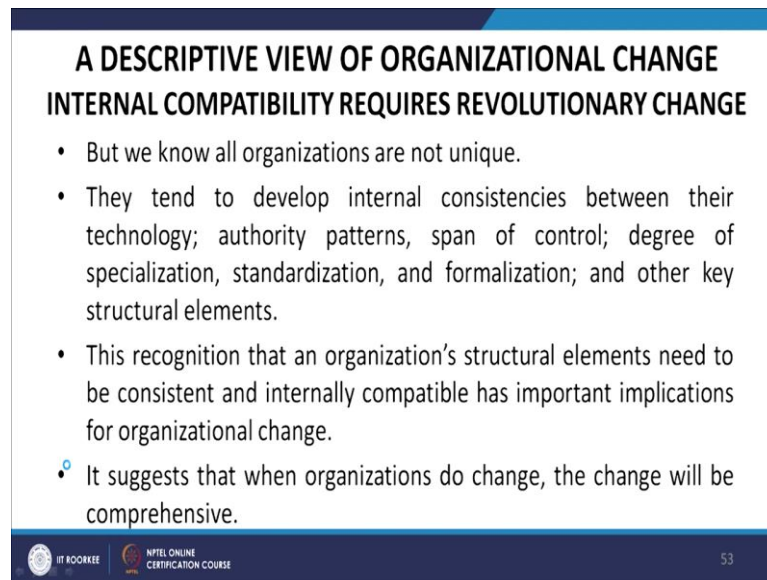The next is, the internal compatibility requires revolutionary change. So, as we noted in earlier modules, there are essentially a limited number of basic configurations. Additionally, as we also noted, these configurations have a common and consistent set of elements.

If you disturb this consistency by changing one of the elements, the organization's design will become out of balance. At the extreme, if these elements were to change regularly in a piecemeal fashion, there would be too much variety among organizations to allow for a limited set of common configurations.
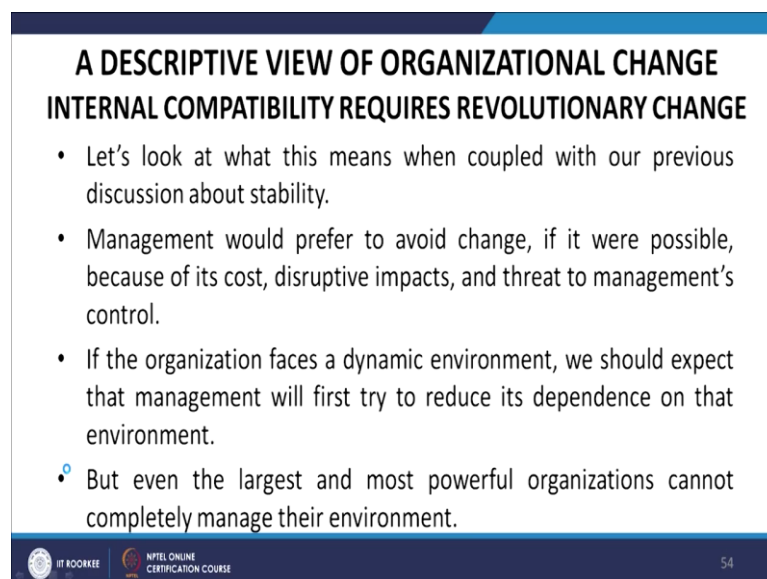
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But we know all organizations are not unique. They tend to develop internal consistencies between their technology; authority patterns, span of control; degree of specialization, standardization, and formalization and other key structural elements. This recognition that an organization's structural elements need to be consistent and internally compatible has important implications for organizational change. It suggests that when organizations do change, the change will be comprehensive.

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Let us look at what this means when coupled with our previous discussion about stability. Management would prefer to avoid change, if it were possible because of its cost, disruptive impacts, and the threat to management's control. If the organization faces a dynamic environment, we should expect that management will first try to reduce its dependence on that environment. But even the largest and the most powerful organizations cannot completely manage their environment.

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So, management's options are essentially two. It can keep up with the changes in the environment by changing itself incrementally to match changes in the environment. This will achieve environmental fit but create internal inconsistencies. The other alternative is to delay change until it is absolutely necessary and then make it comprehensive. This maintains internal consistency, but at the price of having a poor environment-structure fit for a period.

A DESCRIPTIVE VIEW OF ORGANIZATIONAL CHANGE
INTERNAL COMPATIBILITY REQUIRES REVOLUTIONARY CHANGE

- This choice between these two options might be a dilemma if it weren't for management's preference for making as few changes as possible and the reality that management does not seek to maximize organizational effectiveness.
- If the choice were between "change" and "no change," management would be expected to prefer the status quo; but that option is not available.
- Management is going to have to accept some changes in order to
  - maintain a satisficing level of organizational effectiveness.

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A DESCRIPTIVE VIEW OF ORGANIZATIONAL CHANGE
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- But when the choice is between continual change and the infrequent variety, the decision is easy. They select the latter.
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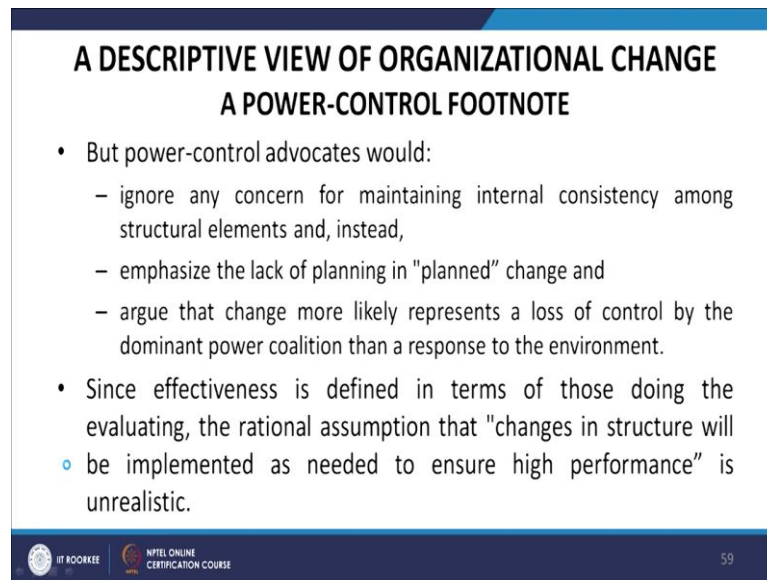
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Another dimension of this is a power-control footnote. How does the descriptive view of organization change stack up with the power-control approach to organization design? Power-control advocates would agree with the notion of organizational inertia. They recognize that those in power have little reason to change the current structure. The status quo maintains control and furthers the interests of the power holders.
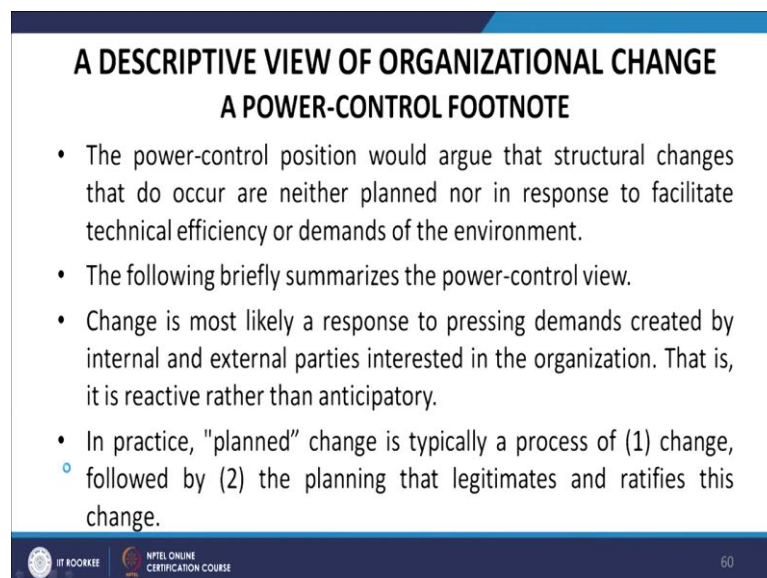
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But power-control advocates would ignore any concern for maintaining internal consistency among structural elements, and instead emphasize the lack of planning in "planned" changes, and argue that change more likely represents a loss of control by the dominant power coalition than a response to the environment.

Since effectiveness is defined in terms of those doing the evaluating, the rational assumption that "change in structure will be implemented as needed to ensure high performance" is unrealistic.
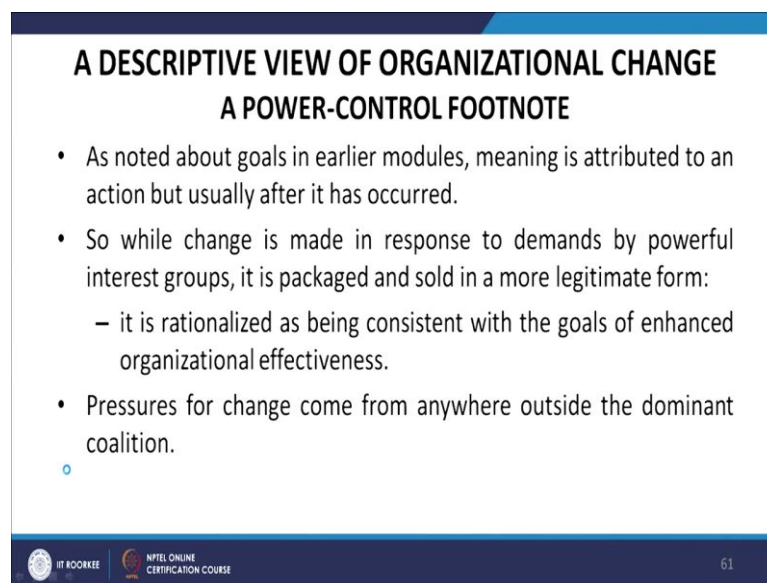
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The power-control position would argue that structural changes that do occur are neither planned nor in response to facilitate technical efficiency or demands of the environment. The following briefly summarizes the power-control view:

Change is most likely a response to pressing demands created by internal and external parties interested in the organization. That is, it is reactive rather than anticipatory. In practice, planned change is typically a process of, 1, change followed by the planning that legitimates and ratifies this change.
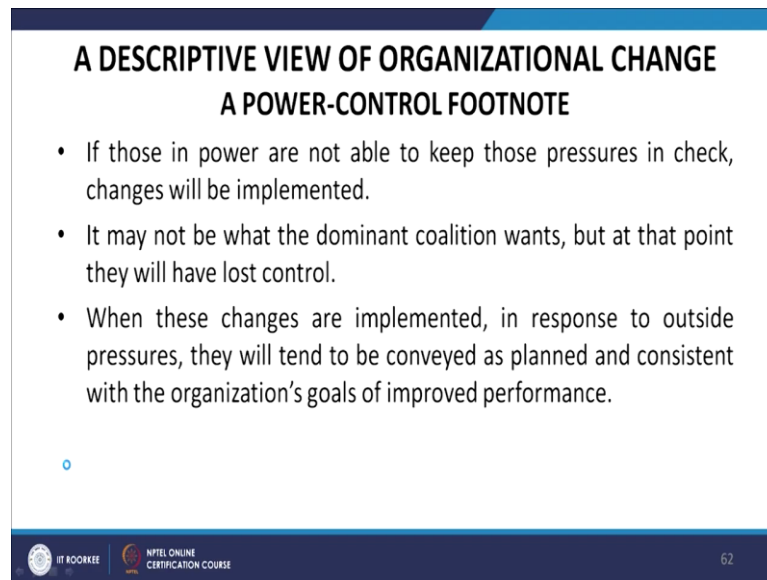
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As noted about goals in the earlier modules, meaning is attributed to an action but usually after it has occurred. So, while change is made in response to demands by powerful interest groups, it is packaged and sold in a more legitimate form; it is rationalized as being consistent with the goals of enhanced organizational effectiveness. Pressures for change come from anywhere outside the dominant coalition.

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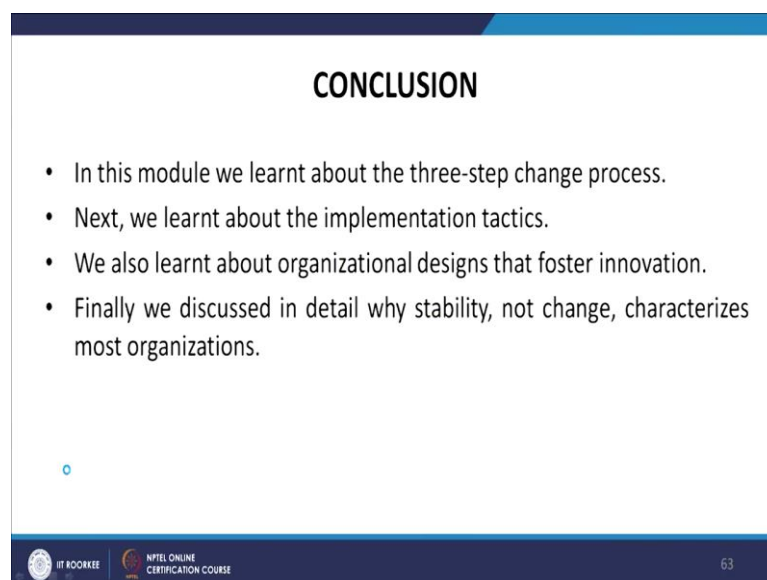

If those in power are not able to keep those pressures in check, changes will be implemented. It may not be what the dominant coalition wants, but at that point they will have lost control. When these changes are implemented, in response to outside pressures, they will tend to be conveyed as planned and consistent with the organization's goals of improved performance.

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So, to conclude, in this module, we learnt about the three-step change process. Next, we learnt about the implementation tactics. We also learnt about organizational designs that

foster innovation. Finally, we discussed in detail why stability, not change, characterizes most organizations.

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And these are the four books from which the material for this module was taken.

Thank you.