Lecture 9: Organizational Change

Learning Objectives

18.1 Contrast the forces for change and planned change.

18.2 Describe ways to overcome resistance to change.

18.3 Compare the four main approaches to managing organizational change.

18.4 Demonstrate three ways of creating a culture for change.

Change Defined

- Organizational change is inevitable, and managers must be able to create and sustain it.
- Organizational psychologists define **planned change** as an intentional, goal-oriented activity that seeks to:
  - Improve the ability of the organization to adapt to changes in its environment.
  - Change employee behavior.

Change Defined

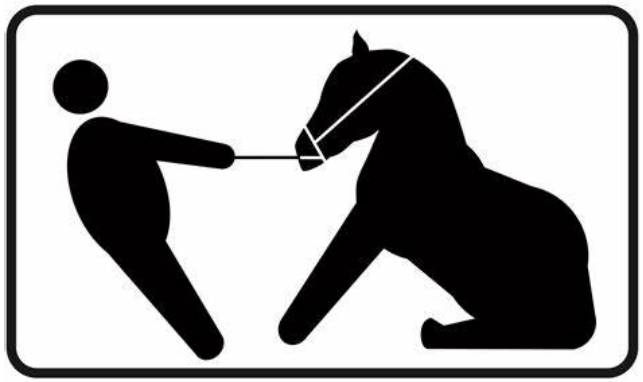
- **Change agents** act as promoters for change and take responsibility for managing change activities.
  - They have a vision for change, and they motivate others to participate in the change process.
  - Although anyone can be a change agent, outsiders and new employees are more likely to initiate change.

Forces for Change

Force	Examples
Nature of the workforce	More cultural diversity Aging population Increased immigration and outsourcing
Technology	Faster, cheaper, and more mobile computers and handheld devices Emergence and growth of social-networking sites Deciphering of the human genetic code
Economic shocks	Rise and fall of global housing market Financial sector collapse Global recession
Competition	Global competitors Mergers and consolidations Increased government regulation of commerce
Social trends	Increased environmental awareness Liberalization of attitudes toward gay, lesbian, and transgender employees More multitasking and connectivity
World politics	Rising health care costs Negative social attitudes toward business and executives Opening of new markets worldwide

Resistance to Change

- Negative reactions to change can:
  - Derail the change process.
  - Hinder employee satisfaction, commitment, and performance.
  - Lead to open discussion and debate.



Resistance to Change

- Individual sources of resistance include:
  - *Habits*—Change may conflict with our behavior patterns and programmed responses.
  - *Security*—Change can threaten feelings of safety and arouse economic fears.
  - *Fear of the unknown*—Change may create ambiguity, and some people dislike uncertainty.
  - *Selective information processing*—Change can lead people to attend to information that supports their perspective and ignore information that doesn't.

Resistance to Change

- Organizational sources of resistance include:
  - *Structural and group inertia*—Change can conflict with the organization's and the groups' built-in mechanisms of stability (e.g., policies, norms).
  - *Limited focus of change*—Changes in subsystems tend to be nullified by the larger system.
  - *Threat to expertise*—Change may threaten the expertise of specialized groups.
  - *Threat to established power relationships*—Change can threaten long-established power relationships.

Overcoming Resistance to Change

- Effective change agents know the importance of addressing and overcoming resistance to change.
- The first step is to identify who is resisting and why.

Are they resisting the uncertainty of change and not the change itself?

Do they understand how their behavior impacts the change effort?

Do they have experience with failed change attempts, leaving them with a cynical view?

Do they understand the purpose of the change and the benefits it's intended to create?

Overcoming Resistance to Change

- The second step is to respond to the resistors.
- *Communicate* the logic of a change to reduce employee resistance on 2 levels.
  - First, it fights the effects of misinformation and poor communication.
  - Second, communication can help "sell" the need for change by packaging it properly.

Overcoming Resistance to Change

- Encourage employees to *participate* in the change process to enhance their psychological ownership of the change.
  - Prior to implementation, resistors can be brought into the decision process, assuming they have the expertise to make a meaningful contribution.
  - Increasing the size of the decision-making group, however, can take longer and lead to poor solutions.

Overcoming Resistance to Change

- Enhance *support* for employees and their *commitment* to the change.
  - When employees' fear and anxiety are high, counseling and therapy, new-skills training, or a short-paid leave of absence may facilitate adjustment.
- Facilitate the building of *positive relationships*.
  - People are more willing to accept changes when they trust the change agents and feel supported by their organizations, managers, and coworkers.

Overcoming Resistance to Change

- Implement change initiatives *consistently* and *fairly*.
  - Procedural fairness is especially important when employees perceive an outcome as negative.
- *Select* individuals who have positive views of change.
  - People who are emotionally stable, have high core self-evaluations, are willing to take risks, and are flexible in their behavior tend to be more adaptable to change.

Approaches to Managing Change

- Lewin's Three-Step Model
- Kotter's Eight-Step Plan
- Action Research
- Organizational Development

Lewin's Three-Step Model

- Kurt Lewin's model proposed 3 steps for successful change in organizations:
  1. Unfreezing the status quo.
  2. Movement to a new state.
  3. Refreezing to sustain the new state.

Unfreeze

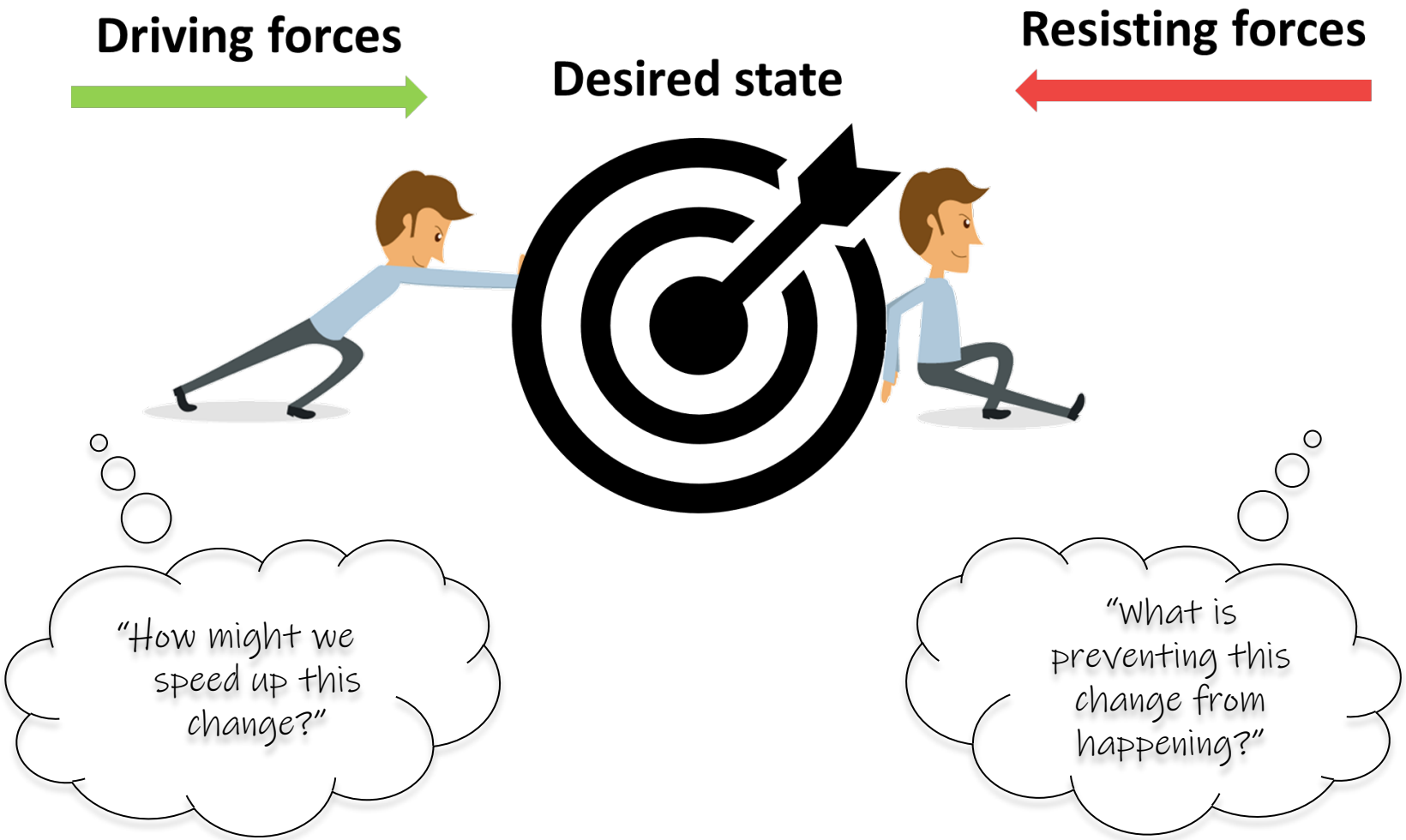
Move/Change

Refreeze

Lewin's Three-Step Model

- In the **unfreezing** stage, change agents assess the organization's readiness for change using **force field analysis** and prepare for the upcoming change.
  - In the context of the desired state of the organization, **driving forces** motivate and encourage change, while **resisting forces** prevent it and create push back.
  - We can then accelerate the change by strengthening driving forces and weakening resisting forces.

Lewin's Three-Step Model



Lewin’s Three-Step Model

- During the **movement** stage, the change is implemented, and the situation is monitored.
- In the **refreezing** stage, the change is complete, and measures are put in place to make sure it sticks.
  - Without this step, the change is likely to be short-lived and employees will attempt to return to the way things were before the change.

Kotter’s Eight-Step Plan

- John Kotter built on Lewin's three-step model to create a more detailed 8-step plan for implementing change.

Urgency Communicate the need for change and create a sense of urgency.	**Coalition** Build a coalition of change agents who can influence others.	**Vision** Create a vision for change and explain it’s link to the broader vision.	**Communicate** Communicate the change to all and model desired behaviors.
Kotter’s Eight-Step Plan			
Empower Encourage others, remove obstacles, and provide resources.	**Celebrate** Use rewards and recognition to celebrate small wins.	**Sustain** Make decisions daily that support the vision for change.	**Institutionalize** Integrate the change and reward behaviors and success.

Kotter's Eight-Step Plan

- Steps 1-4 occur within Lewin's 1st stage.
  1. Create a sense of urgency by persuading people that change is needed.
  2. Form a coalition of people who can persuade others in their social networks that the change is needed.
  3. Create a compelling vision of the post-change future and motivate people to commit to it.
  4. Communicate the vision to all stakeholders and share information that prepares people for action.

Kotter’s Eight-Step Plan

- Steps 5-7 occur within Lewin’s 2nd stage.
  5. Empower people to participate by sharing resources, answering questions, and removing obstacles.
  6. Celebrate small wins and reward others’ hard work to build momentum.
  7. Continue implementing the change and following up on the situation and the change progress.

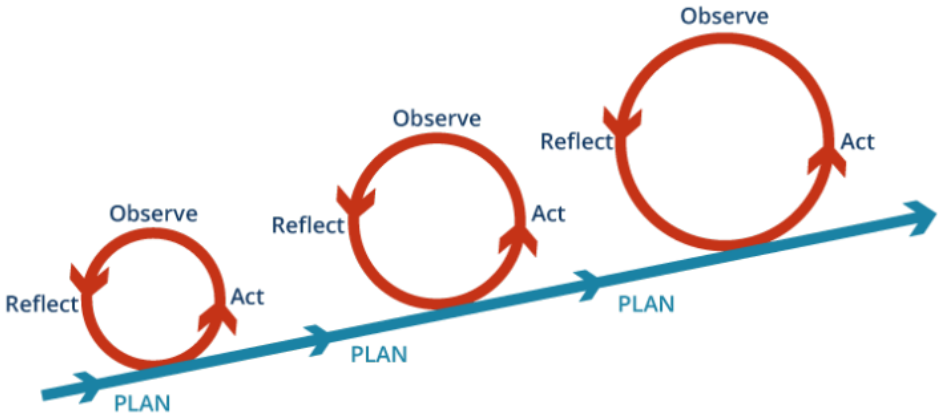
Kotter's Eight-Step Plan

- Step 8 occurs within Lewin's 3rd stage.

8. Sustain the change and ensure it sticks by:
    - Demonstrating the relationship between new behaviors and organizational success.
    - Socializing new employees using the new way.
    - Training new and existing employees how to use the new way.
    - Rewarding employees for using the new way.

Action Research

- **Action research** involves the systematic collection of data and selection of a change action based on the data.
- This approach provides 2 benefits:
  - Change agents objectively look for problems, and the type of problem determines the type of change action.
  - Resistance to change is reduced.



Action Research

- *Step 1: Diagnosis*—Gather information about problems, concerns, and needed changes from stakeholders.
- *Step 2: Analysis*—Synthesize information into primary concerns, problem areas, and possible actions.
- *Step 3: Feedback*—Share this information and the development of a plan for the change with stakeholders.
- *Step 4: Action*—Set into motion the specific actions to correct the problems that were identified.
- *Step 5: Evaluation*—Using the initial data as a benchmark, analyze any subsequent changes.

Organizational Development (OD)

- **Organizational development (OD)** is a collection of planned change interventions that try to improve organizational effectiveness and employee well-being.
  - Its methods are built on humanistic-democratic values.

OD Change Interventions

- **Sensitivity training** is a thorough, unstructured group interaction wherein participants discuss themselves and their interactive processes, loosely directed by a professional behavioral scientist.
- *Surveys* can be used to:
  - Measure employees' perceptions of the change.
  - Identify the common problems and concerns of a work group.
  - Conduct *feedback* sessions to remedy these problems and concerns.

OD Change Interventions

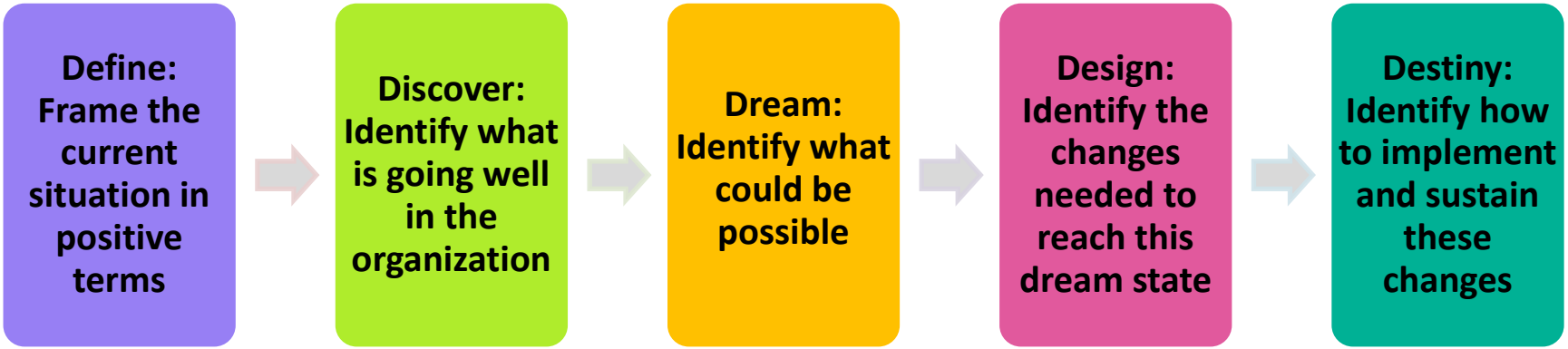
- **Team building** uses high-interaction group activities to increase trust and openness among team members, improve coordination, and increase team performance.
  - It can include goal-setting, the development of interpersonal relations among team members, role analysis to clarify each member's role and responsibilities, and team process analysis.

OD Change Interventions

- **Intergroup development** seeks to change a group's attitudes, stereotypes, and perceptions about other groups.
  - Training sessions focus on the differences among occupations, departments, or divisions.
- **Process consultation** is a process wherein an external consultant works with the organization to understand the process events managers must deal with, and then coaches the managers through the problem.

OD Change Interventions

- **Appreciative inquiry** is a large-group process that seeks to identify an organization's strengths and leverage them in ways that help the organization improve.
  - It consists of 5 steps:



Innovative Organizations

- **Innovation** is a new idea applied to initiating or improving a product, process, or services.
- Innovative organizations tend to have similar cultures and:
  - Facilitate inter-unit communication.
  - Invest in training and development.
  - Encourage experimentation.
  - Reward both successes and failures.
  - Celebrate mistakes.

Innovative Organizations

- Once a new idea is developed, **idea champions** actively and enthusiastically promote it, build support, overcome resistance, and ensure it's implemented.
  - They tend to be self-confident, persistent, energetic, risk-takers, and inspirational.
  - They also have jobs that provide considerable decision-making discretion and autonomy.

Learning Organizations

- **Organizational learning** is the process of using the past to make improvements at the organizational level.
- A **learning organization** is an organization that has developed the continuous capacity to adapt and change.
  - Members are open with each other, understand how the organization works, form a plan or vision, and work together to achieve that vision.

Learning Organizations

- These organizations bring about change by:
  - Solving problems systematically using an evidence-based framework.
  - Encouraging experimentation with new ideas.
  - Learning from your and others' past experiences.
  - Transferring knowledge through reports, videos, training, and job rotation.
  - Measuring learning through surveys, interviews, and direct observation.

Implications for Managers

- Remember that managers are change agents. The decisions they make and their role-modeling behaviors help shape the organization's change culture.
- Change can involve attitudes, motivation, work teams, communication, leadership, organizational structures, human resource practices, and organizational cultures.
- Your management policies and practices will determine the degree to which the organization learns and adapts to changing environmental factors.