

# ORGANIZATIONAL CHANGE

## Chapter 13

### Three Dimensions of Organizational Change

**Organizational change** is the substantive modification of some aspect of an organization. This can be a change to any one (or more) of the components that comprise an organization's design, including change to its structure (e.g., its place along the mechanistic-organic continuum), culture (e.g., the values of its members), environment (e.g., expansion into a new market), technology (e.g., the process used to transform inputs into outputs), or its strategy (e.g., including its mission and vision). In short, change can include just about anything that happens within organizations. Managing change is an integral part of every manager's job. How to best manage change is determined in part by what needs to be changed, and what type of change is needed. There are three basic dimensions of change—scope, preparedness, and source.

THREE DIMENSIONS OF ORGANIZATIONAL CHANGE		
<b>1. Scope:</b> Transformational vs Incremental	<b>Transformational</b> change occurs when an organization shifts from one type of organizational design to another.  <b>Incremental</b> change occurs when an existing organization design is fine-tuned.	Research suggests that organizations generally operate within a specific organization design for anywhere from 5 to 13 years. Afterwards, they will face internal and/or external pressures forcing them to abandon their existing organization design.
<b>2. Preparedness:</b> Proactive vs Reactive	<b>Proactive change</b> is designed and implemented in an orderly and timely fashion. Proactive change often occurs when managers see an opportunity to improve an organization's performance.  <b>Reactive change</b> involves making ad hoc or piecemeal responses to unanticipated events or crises as they occur.	Reactive change is often prompted by an unexpected threat facing the organization. A common problem faced by organizations is the failure of managers to anticipate or respond to changing circumstances; they are then forced to make unplanned, reactive changes.
<b>3. Source of Change:</b> Innovation vs Imitation	<b>Innovations</b> involve the development and implementation of new ideas and practices.  <b>Imitation</b> involves the application of existing ideas, which may come from other units within the organization or from outside of the organization.	Because imitative changes have a proven track record, they may be easier to manage and implement than innovative changes.

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## The Four-Phase Organizational Change Process

The most popular and influential contemporary models of organizational change have four phases: 1) recognize the need or opportunity for change; 2) deliberately prepare for the change process; 3) make the change; and 4) safeguard the change. This four-phase process can be helpful for understanding all types of organizational change, but its full implications are most evident in changes that are proactive, innovative, and transformational. The first two phases would be much less developed in unplanned, reactive changes.

As depicted in the summary table below, there is important variation but also considerable overlap among the three management approaches regarding the change process. In SET management, due to its emphasis on participation and experimentation, there is more fluidity in behavior within each of the organizational design configurations than in either the FBL or TBL approaches. In the SET approach, it is advisable to occasionally “freeze” the action to see what is going on to determine whether change is called for. Think of it this way: SET management sees organizations like a movie of a particular genre (e.g., a comedy, drama, or mystery), and every once in a while it is important to press the “pause” button and see if the movie is still good or if a change should be made (e.g., to the script, genre, characters, etc.), before pressing “play” again. In contrast, FBL and TBL management are more likely to see organizations as a series of photos, where one photo captures how all the elements of an organization design are arranged in one era, and a second photo captures how the elements have been re-arranged after a transformational change and a new era has begun.

	FBL	TBL	SET
<b>Types of change</b>	Change varies based on: scope (transformational vs. incremental), preparedness (proactive vs reactive), and source (innovative vs imitative)		
<b>Change Process</b>			
<b>Phase #1:</b> Recognize the need/opportunity for change	Recognize the need to <b>unfreeze</b> : Managers recognize a need/opportunity, and develop a vision to address it.	Recognize a good time to <b>unfreeze</b> : Members recognize and discuss a TBL-based need/opportunity for change.	Recognize the need to <b>freeze</b> (e.g., press the “pause button”); Invite members to critically reflect on ongoing activities.
<b>Phase #2:</b> Prepare for change	Begin <b>unfreezing</b> : Managers convince members to embrace the change by overcoming their resistance to change.	Begin <b>unfreezing</b> : Involve members in developing a vision for change; enhances commitment.	<b>Praxis</b> : Invite experimental activities to address a problem/opportunity.

<p><b>Phase #3:</b> Make the change</p>	<p><b>Transition:</b> Managers use their authority to design and implement organizational changes.</p>	<p><b>Transition:</b> Managers lead members in designing and implementing organizational changes.</p>	<p><b>Transition:</b> Members reflect on praxis experiments which prompts them to change their worldview.</p>
<p><b>Phase #4:</b> Safeguard the change</p>	<p><b>Refreeze:</b> Managers promote social norms and develop structures and systems that reinforce and reward members who support change.</p>	<p><b>Re-slush:</b> Managers support structures and systems that facilitate continuous learning and celebrate improvement.</p>	<p><b>Resume:</b> Implement desired changes (i.e., press the “play” button) and resume adaptive improvisation and learning.</p>

### Phase #1: Recognize the need/opportunity for change

To identify opportunities for change, managers rely on a variety of sources, including organizational members, customers, suppliers, formal information systems that monitor internal operations and the larger industry, and intuition that comes from having a deep understanding of existing operations.

- Change may be triggered by a wide variety of factors, such as managers’ recognition of depletion of raw materials that the company relies upon as inputs (e.g., coal and oil for energy companies), opportunities to reduce negative socio-ecological externalities (e.g., reduce income inequality), or a lack of employees with specific skills (e.g., lack of nurses in a hospital).
- Or an organization may need to respond to new government regulations (e.g., affirmative action programs, pollution regulations) or new directives from shareholders (e.g., greater transparency about the compensation packages of senior managers).
- Finally, organizations may need to respond to technological innovations by competitors or suppliers.

Note that the same trigger event may prompt different reactions among managers. For example, in response to ecological concerns, some managers may embrace clean technology, while others may see a cost advantage in sticking with older, less environmentally-friendly, technologies.

Because SET management has less need to maximize financial well-being than FBL and TBL approaches, SET managers are free to consider a wider variety of changes that enhance socio-ecological well-being. SET management is also more likely to invite even broader participation in recognizing opportunities and the need for change, and in the merit in pressing the “pause” button (e.g., SET manager may listen to the ecological environment). In particular, SET management is sensitive to the dignity needs of the least privileged in society, whether they are poor people in Bangladesh or the under-employed in Philadelphia.

## Phase #2: Prepare for change

Change can evoke a wide range of emotions from the people facing or experiencing it. The very nature of organizational change creates stress, regardless of whether or not the change is perceived to be in someone's interests (e.g., stress can be created when being promoted or being demoted). Change increases members' exposure to uncertainty, disrupts informal support networks, and affects organizational structures and power. Taken together, change may take a heavy toll on participants even when it seems to be in the best interest of all organizational stakeholders.

As shown in Table 13.2, managers can draw on a variety of influence tactics to prepare members for change. Which tactics are used depends on which management approach is being used, and also on whether managers seek to *push* members to change (e.g., by drawing attention to a *crisis*) or pull them (e.g., by drawing attention to an *opportunity*).

**Table 13.2: Influence tactics that can be used to prepare members for change**

<i>Pressure:</i>	Introduce or suggest threats or negative consequences
<i>Exchange:</i>	Indicate willingness to reciprocate or share benefits
<i>Coalition tactics:</i>	Appeal to the buy-in of others (e.g., a 3 <sup>rd</sup> party) in attempt to persuade
<i>Ingratiation:</i>	Use praise, flattery, or friendly behavior before making a request
<i>Rational persuasion:</i>	Use logical arguments and factual evidence
<i>Personal appeal:</i>	Appeal to feelings of loyalty or friendship
<i>Inspirational appeal:</i>	Arouse enthusiasm by appealing to values, ideals, aspirations
<i>Legitimizing tactics:</i>	Appeal to an agreed-upon authority (e.g., a vision/mission/founder)
<i>Consultation:</i>	Involve others in planning or formulating an idea or strategy
<i>Praxis:</i>	Encourage practical action and critical reflection by members

However, even if members recognize the crisis and/or opportunity that is prompting a change, and even if their uncertainty is reduced by spelling out a clear vision of the future, members still might resist the change if they feel the change is a violation of their psychological contract. A **psychological contract** can take various forms, but essentially it *is an unwritten expectation related to the exchanges between an employee and the organization*.

SET management differs from the other two approaches because of its ongoing relative emphasis on inviting members to carry out hands-on experiments that address the needs established in phase #1. This is consistent with SET management's emphasis on experimentation described in Chapter 10, and even extends it to issues that may question an organization's mission or vision. For SET management, such experimentation refers to practical actions, that is, actual changes that address the problem.

The experiments in SET management differ from the experiments in FBL and TBL management in several significant ways.

- First, FBL and TBL approaches tend to emphasize “thought experiments,” where employees are asked to envision the future, or to imagine what their jobs will be like after a specific change has been implemented. In contrast, SET experiments involve hands-on, practical activities.
- Second, even when FBL and TBL management do introduce hands-on experiments, they are not as likely as SET management to have members themselves design and carry out the experiments, or to allow members to opt out of certain experiments.

SET management’s focus on practical action in phase #2 (prepare for change) is consistent with the Aristotelian idea of praxis. **Praxis** is a combination of critical reflection and practical action that facilitates positive change. Critical reflection ensures that members are engaged and thinking about their firm’s positive and negative externalities, while practical action increases the likelihood that members will change their views about how their organization should work.

### **Phase #3: Make the change**

This is often the phase where the role of managers is the most visible. Although change agents are important throughout all four phases of change, during this phase it is critical that change agents model appropriate behavior and provide visible support for the initiative. A **change agent** is someone who acts as a catalyst and takes leadership and responsibility for managing part of the change process. Change agents are often managers or human resource specialists from within the organization. Sometimes a change agent may be an outside consultant. Change agents make things happen, and a part of every manager’s job is to act as a change agent in the work setting.

Change agents sometimes work in conjunction with idea champions. An **idea champion** is a person who actively and enthusiastically supports new ideas. Together, change agents and idea champions promote change within the organization by building support, overcoming resistance, and ensuring that innovations are implemented.

The SET approach emphasizes similar skills and behaviors as FBL and especially TBL approaches, but SET management is significantly different from FBL and TBL management in this third stage of the change process. Whereas FBL and TBL management focus on implementing the desired technical change, for SET management the key change is in the worldview through which members understand and think about their jobs and about how their organization works. In particular, SET management emphasizes changes in members’ worldviews that occur because of their praxis experiments that were started in the second phase of the change process. The key change is for members to see their work-world differently, to interpret their jobs through a new lens, and to re-label the components of their work.

Another difference is that SET management is more likely to involve external stakeholders in the change process. For example, Greenleaf essentially gave women a voice at the hiring table, even though in his

case none of these women were actually physically present. Some organizations purposely add an empty chair to their meetings to symbolically represent stakeholders who are not in the room.

#### **Phase #4: Safeguard the change**

Once a change has been implemented, steps must be taken to ensure that the change is reinforced (i.e., becomes institutionalized), and that organizational practices do not revert to previous ways. Ideally, the change becomes second-nature to members because it is embedded in their everyday actions and thoughts. This involves creating structures that reinforce the change, and also dismantling structures and systems that undermine it.

In SET management the final phase is called *resuming*, which goes even further than the TBL's emphasis on re-slushing. SET management expects and encourages its members to maintain dynamic relationships between organization design elements and various stakeholders. Returning to the metaphor of a movie, once the pause button has been pressed (phase #1), and the cast and directors have had a chance to experiment with new scripts (phase #2) and reflect on them in a way that changes their worldview (phase #3), everything is ready to press the "play" button and let the action resume. In this metaphor, the movie directors place greater emphasis on improvisation than on rehearsing prescribed lines and repeatedly shooting the same scene to get it exactly as written in the script.