

Unit 3 : Organizational Change

Meaning of Organisational Change:

Organisational change refers to any alteration that occurs in total work environment. Organisational change is an important characteristic of most organisations. An organisation must develop adaptability to change otherwise it will either be left behind or be swept away by the forces of change. Organisational change is inevitable in a progressive culture. Modern organizations are highly dynamic, versatile and adaptive to the multiplicity of changes.

Organisational change refers to the alteration of structural relationships and roles of people in the organization. It is largely structural in nature. An enterprise can be changed in several ways. Its technology can be changed, its structure, its people and other elements can be changed. Organisational change calls for a change in the individual behaviour of the employees.

Organizations survive, grow or decay depending upon the changing behaviour of the employees. Most changes disturb the equilibrium of situation and environment in which the individuals or groups exist. If a change is detrimental to the interests of individuals or groups, they will resist the change.

Reasons/Factors of Organisational Change:

(A) External Pressures:

1) Change in Technology and Equipment:

Advancements in technology is the major cause (i.e., external pressure) of change. Each technological alternative results in new forms of organization to meet and match the needs.

When there is a change in technology in the organizational environment and other organizations adopt the new technology, the organizations under focus become less cost effective and its competitive position weakens. Therefore, it has to adopt new technology, its work structure is affected and a new equilibrium has to be established.

2) Market Situation:

Changes in market situation include rapidly changing goals, needs and desires of consumers, suppliers, unions etc. If an organization has to survive, it has to cope with changes in market situations. Since every organization exports its outputs to the environment, an organization has to face competition in the market. There may be two types of forces which may affect the competitive position of an organization –other organizations supplying the same products and, buyers who are not buying the product. Any changes in these forces may require suitable changes in the organization. For example, when Indian economy was liberalized, there were many foreign organizations that entered the Indian market. This forced many Indian organizations to realign themselves with the new situations. The result in that there have been many cases of divesting the business and concentrating on the core business, acquiring core business, and developing competitive competence to face competitive threats. Similarly, there may be changes in buyers in terms of their needs, liking –disliking and income disposal for a

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product. These changes from the organizations to bring those products which meet buyer's requirement.

3) Social and Political Changes:

Organisational units literally have no control over social and political changes in the country. Relations between government and business or drive for social equality are some factors which may compel for organisational change.

- **Social changes:** Social changes reflect in terms of people's aspirations, the needs, and their ways of working. Social changes have taken place because of the several forces like level of education, urbanization, feeling of autonomy, and international impact due to new information sources. These social changes affect the behavior of people in the organization. There, it is required to make adjustment in its working so that it matches with people.

- **Political and legal changes:** Political and legal factors broadly define the activities which an organisation can undertake and the methods which will be followed by it in accomplishing those activities. Any changes in these political and legal factors may affect the organization operation.

(B) Internal Pressures (Pressures for Change from Within the Organisation):

1) Changes in the Managerial Personnel:

One of the most frequent reasons for major changes in the organisation is the change of executives at the top. No two managers have the same style, skills or managerial philosophies. Besides environmental changes there is a change in managerial personnel. Old managers are replaced by new managers, which necessitated because of retirement, promotion, transfer or dismissal. Each new manager brings his own ideas and way of working in the organization. The relationships, more particularly informal ones, changes because of changes in managerial personnel. Moreover, attitude of the personnel change even though there is no changes in them. The result in that an organization has to change accordingly.

2) Deficiencies in the Existing Organization:

Many deficiencies are noticed in the organisations with the passage of time. A change is necessary to remove such deficiencies as lack of uniformity in the policies, obstacles in communication, any ambiguity etc. Sometimes, changes are necessary because of deficiency in the present organizational arrangement and process. These deficiencies may be in the form of unmanageable span of management, large number of managerial levels, lack in co-ordination between various departments, obstacles in communication, multiplicity of committees, lack of uniformity in policy decisions, lack of cooperation between the line and staff, and so on. Beside these internal factors, there are two more internal factors that give rise to organizational changes.

3) Nature of the work force:

The nature of work force has changed over a passage of time. Different work values have been expressed by different generations. Workers who are in the age group of 50 plus value loyalty to their employers. Workers in their mid

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thirties to forties are loyal to themselves only. The youngest generation of workers is loyal to their career. The profile of the workforce is also changing fast. The new generation of workers has better educational; they place greater emphasis on human values and questions authority of managers. Their behavior has also become very complex and leading them towards organizational goals is a challenge for the managers. The employee turnover is also very high which again put strain on the management.

4) To avoid developing inertia: In many cases, organizational changes take place just to avoid developing inertia or inflexibility. Conscious manager take into account this view of organization that organization should be dynamic because any single method is not the best tool of management every time. Thus, changes are incorporated so that the personnel develop liking for change and there is no unnecessary resistance when major change in the organization are brought about.

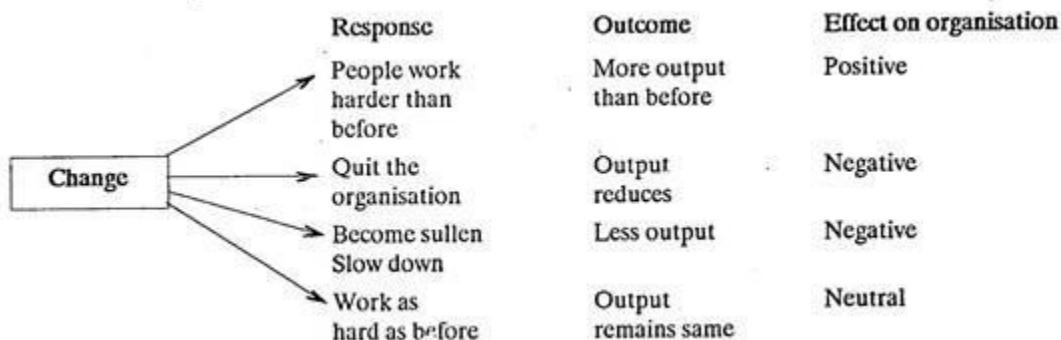
5) Other Factors:

Certain other factors such as listed below also demand a change in the organisation.

Employee's desire to share in decision-making
Employee's desire for higher wage rate
Improvement in working conditions, etc.

Response to Organisational Change:

Every change is responded by the people working in the organisation. These responses may be positive or negative depending upon the fact as how they affect people.



Before introducing a change, the manager should study and understand employee's attitudes so as to create a positive response. Three sets of factors-psychological, personal and social- govern the attitude of people.

Planned Change

Meaning

A planned change is a change planned by the organization; it does not happen by itself. It is affected by the organization with the purpose of achieving something that might otherwise be unattainable or attainable with great difficulty. Through planned change, an organization can achieve its goals rapidly. **The basic reasons/factors for planned change are:**

- To improve the means for satisfying economic needs of members
- To increase profitability
- To promote human work for human beings
- To contribute to individual satisfaction and social well being

The planned organizational change process may comprise, basically the three following steps:

1. Planning for change
2. Assessing change forces
3. Implementing the change

1. Planning for Change

The first step in the process of change is to identify the need for change and the area of changes as to whether it is a strategic change, process oriented change or employee oriented change. This need for change can be identified either through internal or external factors. Once this need is identified the following general steps can be taken:

- **Develop new goals and objectives.** The manager must identify as to what new outcomes they wish to achieve. This may be modification of previous goals due to changed internal and external environment or it may be a new set of goals and objectives.
- **Select an agent of change.** The next step is that the management must decide as to who will initiate and oversee this change. One of the existing managers may be assigned this duty or even sometimes specialists and consultants can brought in from outside to suggest the various methods to bring in the change and monitor the change process.
- **Diagnose the problem.** The person who is appointed as the agent of the change will then gather all relevant data regarding the area of problem or the problem where the change is needed. This data should be critically analysed to pinpoint the key issues. Then the solutions can be focused on those key issues.
- **Select Methodology.** The next important step is to select a methodology for change; employee's emotion must be taken into consideration when devising such methodology.
- **Develop a plan.** After devising the methodology, the next step will be to put together a plan as to what is to be done. For example, if the management wants to change the promotion policy, it must decide as to what type of employees will be affected by it, whether to change the policy for all the departments at once or to try it on a few selected departments first.
- **Strategy for the implementation of the plan.** In this stage, the management must decide on the 'when', 'where' and 'how' of the plan. This includes the right time of putting the plan to

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work, how the plan will be communicated to the employees in order to have the least resistance and how the implementation will be monitored.

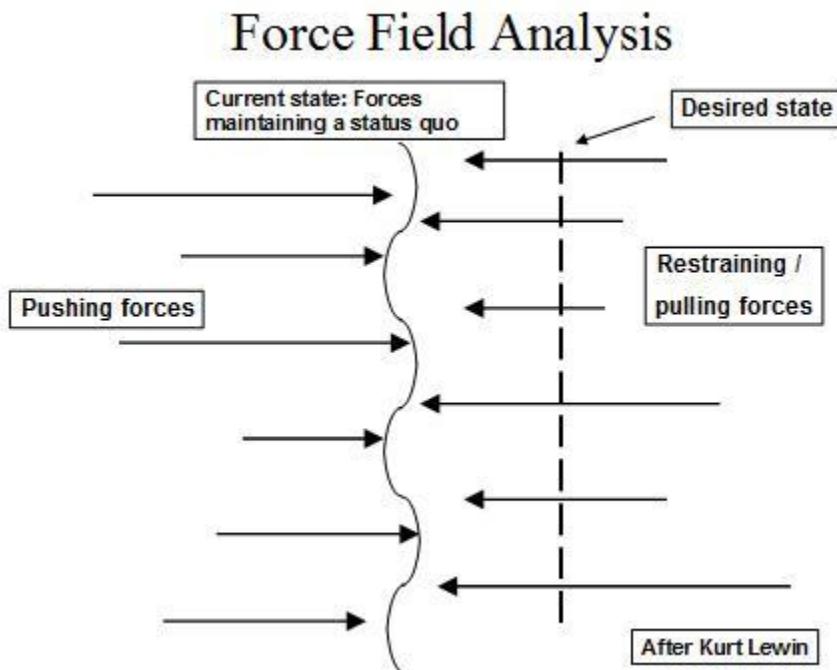
2. Assessing Change Forces

The planned change does not come automatically, rather there are many forces in individuals, groups and organization which resist such change. The change process will never be successful unless the cooperation of employees is ensured. Therefore, the management will have to create an environment in which change will be amicably accepted by people. If the management can overcome the resistance, change process will succeed.

In a group process, there are always some forces who favour the change and some forces that are against the change. Thus, an equilibrium is established is maintained. Kurtlewin calls in the “field of forces”. Lewin assumes that in every situation there are both driving and restraining forces which influence any change that may occur.

- **Driving forces** are those forces which affect a situation by pushing in a particular direction. These forces tend to initiate the change and keep it going.
- **Restraining forces** act to restrain or decrease the driving forces.

Equilibrium is reached when sum of the driving forces equals the sum of the restraining forces as shown in the following figure:



There may be three types of situations, as both driving and restraining forces are operating:

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1. If the driving forces far out weight the restraining forces, management can push driving forces and overpower restraining forces.
2. If restraining forces are stronger than driving forces, management either gives up the change programme or it can pursue it by concentrating on driving forces and changing restraining forces into driving ones or immobilizing them.
3. If driving and restraining forces are fairly equal, management can push up driving forces and at the same time can convert or immobilize restraining forces.

Thus, to make the people accept the changes, the management must push driving forces and convert or immobilize the restraining forces.

3. Implementing the Change

Once the management is able to establish favourable conditions, the right timing and right channels of communication have been established the plan will be put into action. It may be in the form of simple announcement or it may require briefing sessions or in house seminars so as to gain acceptance of all the members and specify those who are going to be directly affected by the change.

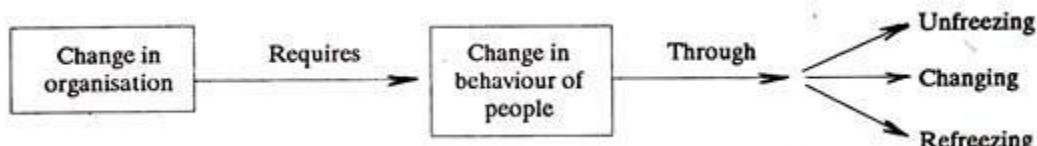
After the plan has been implemented there should be evaluation of the plan which comprises of comparing actual results to the objectives. Feedback will confirm if these goals are being met so that if there is any deviation between the goals and actual performance, corrective actions can be taken.

Organizational Change Process (Lewin's 3 Stage Model)

Any organizational change whether introduced through a new structural design or new technology or new training programme, basically attempts make employees change their behaviour. Unless the behavioural patterns of the members change the change will have a little impact on the effectiveness of the organization. Behavioural changes are not expected to be brought about overnight. These are the most difficult and marathon exercises.

A commonly accepted model for bringing about changes in people was suggested by KURT LEWIN in terms of three phase's process:-

A commonly accepted model for bringing change in people was suggested by Kurt Lewin in terms of three phase process:-



(1) Unfreezing:

The essence of unfreezing phase is that the individual is made to realize that his beliefs, feelings and behaviour are no longer appropriate or relevant to the current situation in the organisation. Once convinced, people may change their behaviour. Reward for those willing to change and punishment for others may help in this matter.

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Unfreezing means that old ideas and attitudes are set aside to give place to new ideas. It refers to making people aware that the present behaviour is inappropriate, irrelevant, inadequate and hence unsuitable for changing demands of the present situation.

According to EDGAR SCHIEN the following four elements are necessary during this unfreezing phase:-

- The physical removal of the individuals, being changed from their accustomed routines, sources of information and social relationships.
- The undermining and destruction of social support.
- Demeaning and humiliating experience to help individuals, being changed, to see their old attitudes or behaviour as unworthy and think to be motivated to change.
- The consistent linking of reward with willingness to change and of punishment with willingness to change.

Unfreezing thus involves discarding the orthodox and conventional methods and introducing dynamic behaviour, most appropriate to the situation. People are made to accept new alternatives.

(2) Changing:

Once convinced and ready to change, an individual, under this phase, learns to behave in new ways. He is first provided with the model in which he is to identify himself. Gradually he will accept that model and behave in the manner suggested by the model. In another process (known as internalisation), the individual is placed in a situation where new behaviour is demanded of him if he is to operate successfully.

Unlike unfreezing changing is not uprooting of the old ideas, rather the old ideas are gradually replaced by the new ideas and practices. In changing phase new learning occurs. The necessary requirement is that various alternatives of behaviour must be made available in order to fill the vacuum created by unfreezing phase. During the phase of changing, individuals learn to behave in new ways, the individuals are provided with alternatives out of which choose the best one.

KELMAN explains changing phase in terms of the following elements:-

- Compliance: it occurs when individuals are forced to change either by reward or by punishment.
- Internalisation: it occurs when individuals are forced to encounter a situation and calls for new behaviour.
- Identification: it occurs when individuals recognize one among various models provided in the environment that is most suitable to their personality.

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(3) Refreezing:

During this phase, a person has to practice and experiment with the new method of behaviour and see that it effectively blends with his other behavioral attitudes. Reinforcement, for creating a permanent set in the individual, is provided through either continuous or intermittent schedules.

Refreezing is on the job practice. The old ideas are totally discarded and new ideas are totally accepted. Refreezing reinforced attitudes, skills and knowledge. He practices and experiments with the new method of behaviour and sees that it effectively blends with his other behavioral attitudes.

FERSTER and SKINNER have in this connection introduced the main reinforcement schedules namely- Continuous and Intermittent reinforcements. Under continuous reinforcement individuals learn the new behaviour within no time. And intermittent reinforcement on the other hand, consumes a long time but it has the greatest advantage of ensuring a long lasting change.

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Resistance to Organisational Change:

Resistance to change is perhaps one of the baffling problems a manager encounters because it can take many shapes. People may resign, they may show tardiness, loss of motivation to work, increased absenteeism, request for transfer, wild-cat strikes, shoddy work, reduction in productivity etc.

Classification of Resistance to Change:

Resistance to change may be classified as:

1. Industrial Resistance
2. Organisational Resistance

1. Industrial Resistance:

Individual resistance may be there because of the following reasons:

A. Economic Reasons:

(a) Obsolescence of Skills:

When a person feels that with the introduction of newer processes, his skills will just become obsolete, he will resist the change. For example, a twenty years experienced accountant is quite likely to resist the introduction of a computer for preparing the wage bills because he feels that might affect his pay and position.

(b) Fear of Economic Loss:

People resist change if it opens the possibility of lowering their income directly or indirectly.

B. Personal Reasons:

(a) Ego Defensiveness:

A sales manager may turn down the suggestions of a salesman simply because the manager perceives that his ego may be deflated by accepting the suggestion.

(b) Status Quo:

Most of the people feel comfortable with status quo and strongly resist change as it may involve uncertainty and risk.

(c) Fear of Unknown:

Change presents unknown and unknown poses a constant threat and sores people. For fear of unknown, a manager may refuse promotion that requires his relocating in another state.

C. Social Reasons:

(a) Social Displacement:

Introduction of change (e.g., relocating) may result in breaking up of work groups and thus result in disturbance of the existing social relationships of people.

(b) Peer Pressure:

Whenever change is unwilling to the peers, they force the individual subordinate employees who are bent of accepting the change, to resist it.

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2. Organizational Resistance:

Resistance may also be present at organizational level. Some organizations are so designed that they resist innovations.

Some of the reasons of organizational resistance are:

(a) Threats to Power and Influence:

Some people (especially sitting at the top levels) resist change because they feel that a change might affect their position, power and influence in the organization.

(b) Organizational Structure:

Some organization structures (e.g., bureaucratic structure) have inbuilt mechanism for resistance to change.

(c) Resource Constraints:

Non-availability of financial, material and human resources may also act as a resistance to change.

(d) Sunk Cost:

In some companies, heavy capital is blocked in the fixed or permanent assets. If such an organization wishes to introduce change, then difficulty arises because of these sunk costs.

Overcoming Resistance to Organisational Change:

Change creates tension and emotional turmoil in the minds of employees. Change thus results in resistance quite frequently, negative reactions doom the success of the change program especially when a manager is unable to handle it properly.

Some of the techniques to handle the change properly and to deal with resistance to change are:

(a) Education and Communication:

One of the easiest techniques to overcome resistance to change is to educate the people who resist it. In many cases, people do not properly understand the change and hence become afraid of its consequences and resist change.

(b) Participation and Involvement:

If subordinates are allowed to participate and involve themselves in the change process (decision-making regarding the implementation of the change), their misunderstandings about the consequences of change are cleared, they generally feel satisfied and do not oppose change.

(c) Support:

Support may be facilitative and emotional. Managers sometimes deal with potential resistance by being supportive. This includes listening, providing emotional support, providing training in new skills etc.

(d) Incentives:

Offering incentive is another fruitful way to overcome resistance to change.

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(e) Manipulation:

Managers generally indulge in manipulation when all other tactics have failed to overcome resistance to change.

(f) Coercion:

At times, there is no way except to deal with resistance coercively. People are forced to accept change by threatening them with loss of their jobs, promotion possibilities and so forth.