MBA 609
Organizational Behaviour

Week 10

Organizational change

Today's learning outcomes

- What are the forces for change?

- How do organizations manage change?

- Why do people and organizations resist change?

- How can organizations create a culture that embraces change?
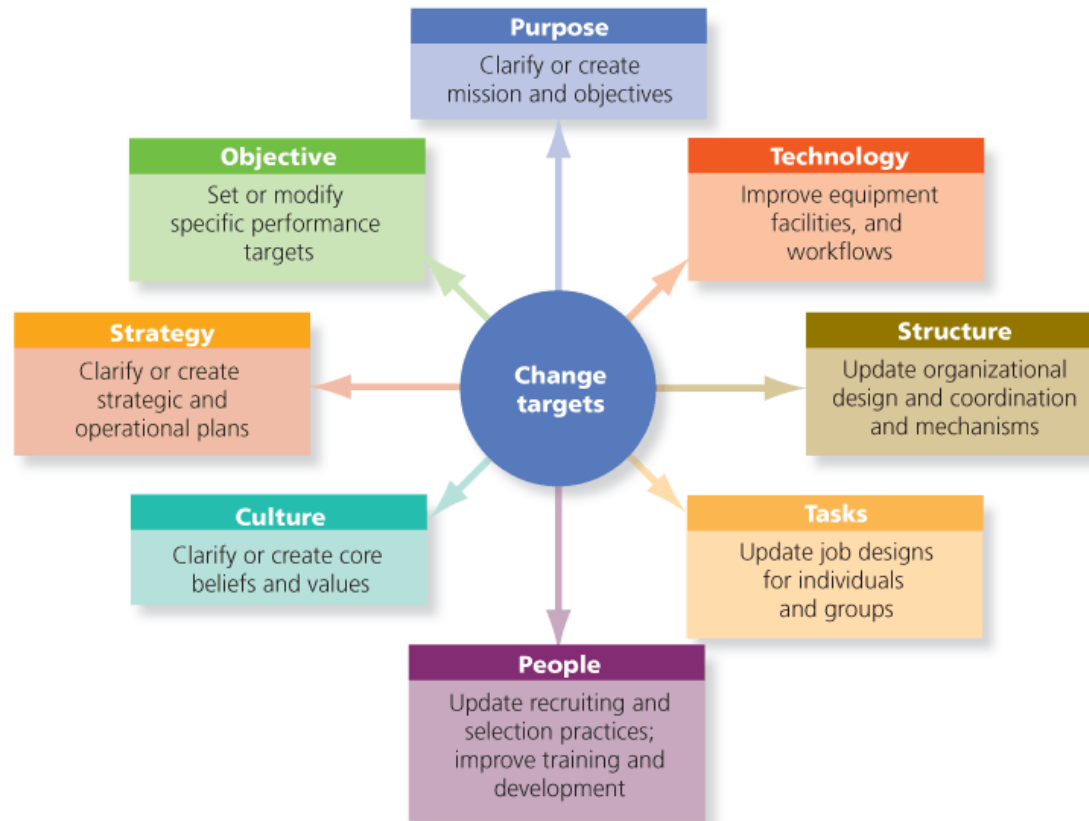
Why Organizations Change

- "Organizations are open systems that take inputs from the environment, transform some of these inputs, and send them back into the environment as outputs" (Johns & Saks, 2014)

- Changes in the environment forces organizations to change.

Why Organizations Change: Forces for change

- Impact of external environment:
    - Competition, economic conditions, deregulation, advanced technology

- Impact of internal environment:
    - Conflict, low productivity, strike, sabotage, turnover, absenteeism

What Organizations Can Change

EXHIBIT 14-2 Organizational Targets for Change

Purpose — Clarify or create mission and objectives

Technology — Improve equipment facilities, and workflows

Objective — Set or modify specific performance targets

Structure — Update organizational design and coordination and mechanisms

Strategy — Clarify or create strategic and operational plans

Change targets

Culture — Clarify or create core beliefs and values

Tasks — Update job designs for individuals and groups

People — Update recruiting and selection practices; improve training and development

Source: J. R. Schermerhorn Jr., J. G. Hunt, and R. N. Osborn, *Organizational Behavior*, 9th ed., 2005, p. 363, Figure 16.1. Copyright © 2005 John Wiley & Sons, Inc. Reprinted with permission of John Wiley & Sons, Inc.

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Reshaping an ice cube

- You want to reshape an ice cube from round to square, keeping the same volume. Describe what you would do.

- **Unfreeze** the round ice cube
- **Move/change** the liquid to a square shape container
- **Refreeze** the square ice cube
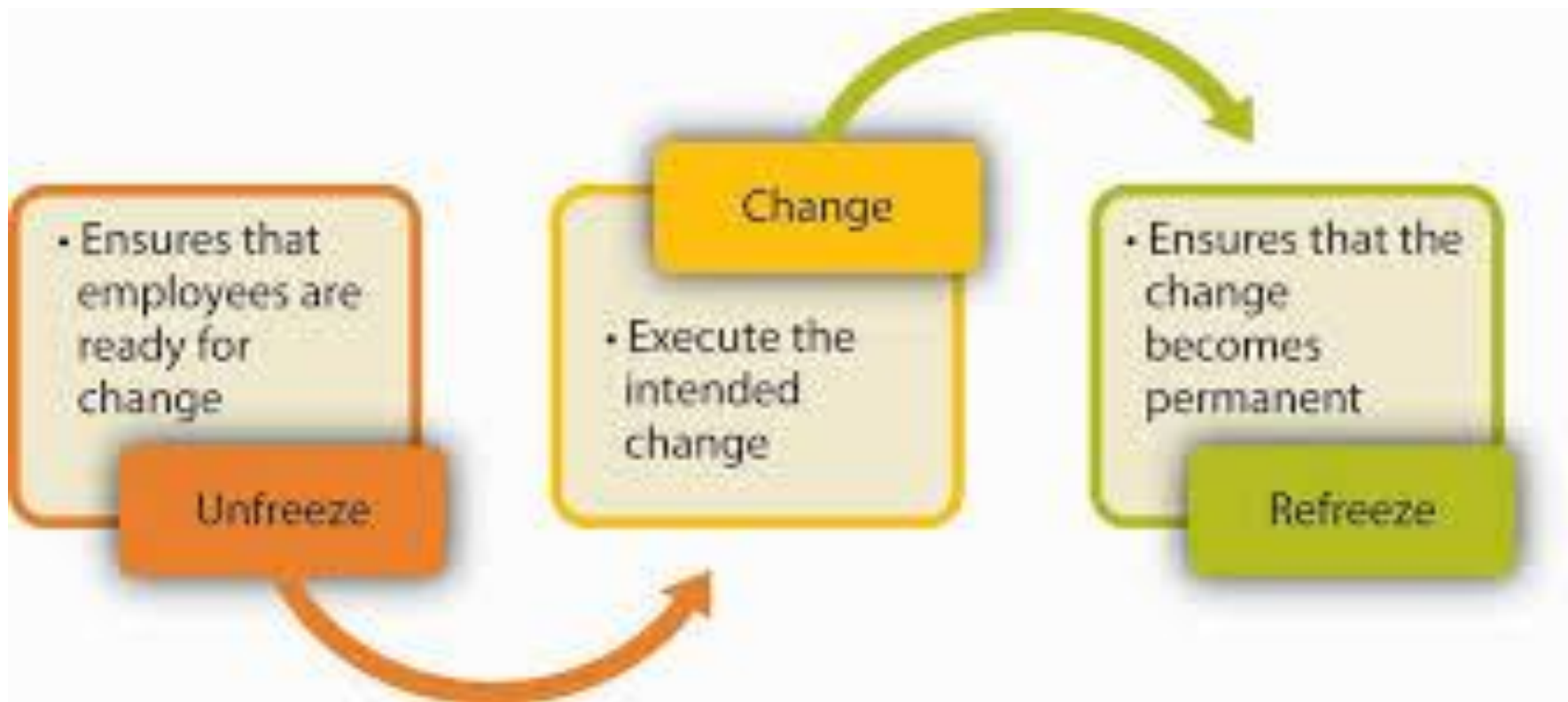
Lewin's three-step change model

EXHIBIT 14-3 Lewin's Three-Step Change Model

Unfreezing → Moving → Refreezing

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- <u>Unfreezing</u>: recognizing that some current state of affairs is unsatisfactory

- <u>Moving/changing</u>: implementing a plan that moves the organization to a more satisfactory state

- <u>Refreezing</u>: consolidating the change as an enduring part of the organization

Lewin's three-step change model

- Ensures that employees are ready for change

Unfreeze

Change

- Execute the intended change

- Ensures that the change becomes permanent

Refreeze

Kotter's 8-step plan for implementing change

Eight Steps To Successful Change
- John Kotter

- Institutionalise the change — Refreeze
- Consolidate & build on the gains
- Create short term wins — Move
- Empower people to act on the vision
- Communicate the vision
- Develop a clear shared vision
- Create a guiding coalition — Unfreeze
- Establish a sense of urgency

Ethical Dilemma exercise p. 536

- If you were Ellen West, what would you do?
- Analyse the case individually for 10 minutes and answer the question above (use the knowledge you gained in your OB class).
- In groups of 3, discuss your respective findings and come up with a common position and answer (always use OB knowledge). You have 15 minutes
- We will follow with a class discussion.

Approaches to change

- Action research
- Appreciative inquiry

Two opposite approaches

Approaches to change: Action research

- A change process based on the systematic collection of data, and then the selection of change actions based on what the analyzed data indicate
- This process consists of 5 steps:
  - *Diagnosis:* Change agent gathers information about the topic (problem, concern, etc…)
  - *Analysis:* Change agent organizes the information gathered into primary concerns, problem areas and possible actions
  - *Feedback:* Change agent brings finding to employees who help change agent develop actions to bring in change
  - *Action:* Employees and change agent carry out the specific actions to correct the problems identified
  - *Evaluation:* Action plan's effectiveness is evaluated, using the data gathered initially as a benchmark

Approaches to change: Appreciative inquiry (AI)

- AI accentuates the positive. Rather than looking for problems to fix, it seeks to identify the unique strengths of the company and build upon to improve performance

- This process consists of 5 steps:

  - *Discovery:* Employees identify the strengths of the organization.

  - *Dreaming:* Employees speculate on possible futures for the organization.

  - *Design:* Participants focus on finding a common vision.

  - *Action:* Employees discuss how the organization is going to fulfill its dream, by suggesting an action plan.
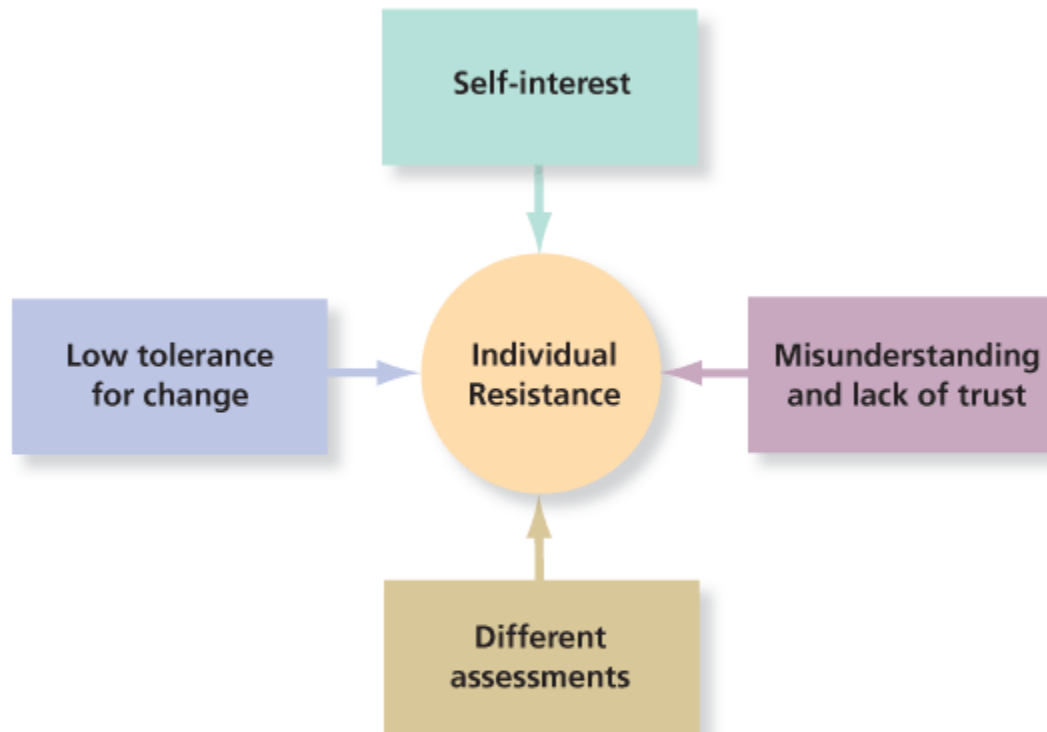
Case incident (Toyota) p. 536

- In a different group of 3, review this case and answer the 4 questions on page 537.
- You have 15 minutes.
- We will follow with a class discussion.

Resistance to Change

- Individual
- Organizational

Individual Resistance

EXHIBIT 14-7 Sources of Individual Resistance to Change

Self-interest

Low tolerance for change → Individual Resistance ← Misunderstanding and lack of trust

Different assessments

Source: Based on J. P. Kotter and L. A. Schlesinger, "Choosing Strategies for Change," *Harvard Business Review*, July–August 2008, pp. 107–109.

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Organizational Resistance

EXHIBIT 14-9 Sources of Organizational Resistance to Change

The politics of change

- Change threatens the status quo, making it an inherently political activity.

- Managers who have spent their entire career in a single organization and who have achieved a senior position in the organization are often the biggest hurdle to change

  - Change is a real threat to their status and position, yet they may be expected to implement change

  - When forced to introduce change, they tend to implement incremental change. Radical change is too threatening.

Overcoming Resistance to Change

- Several tactics may be used to overcome resistance to change:
    - Education and communication
    - Participation and involvement
    - Building support and commitment
    - Developing positive relationships
    - Implementing change fairly
    - Manipulation and co-optation
    - Selecting people who accept change
    - Explicit and implicit coercion

Overcoming resistance to change

My recommendation:

"Involve the stakeholders since the early phases of the process"

Creating a culture for change

- Stimulating innovation
- Creating a learning organization

Stimulating Innovation

Innovation is the process of developing and implementing new ideas in an organization. (Johns & Saks, 2014)

Generating and implementing innovative ideas.

- **Individual creativity** is the production of novel but potentially useful ideas.

- **Ideas champions** are people who see the kernel of an innovative idea and help guide through its implementation

- Effective **External communication** helps importing and assimilating new external information, then applying it

- Decentralization, informality, and lack of bureaucracy all foster the exchange of information **(Internal Communication)** that innovation requires.

- The availability of funds to finance innovation **(Resources and Rewards)** helps see innovation as an *Investment* rather than a *Cost.*

The Learning Organization

- "Organizational learning refers to the process through which organizations acquire, develop, and transfer knowledge throughout the organization"*

- A learning organization is "an organization that has systems and processes for creating, acquiring, and transferring knowledge to modify and change its behaviour to reflect new knowledge and insights"*

* Johns & Saks (2014)

Critical Dimensions for a Learning Organization

- ***Vision/support:*** Leaders must communicate a clear vision of the organization's strategy and goals, in which learning is a critical part and key to organizational success.

- ***Culture:*** A learning organization has a culture that supports learning: information sharing, risk taking, experimentation, etc…

- ***Learning systems/dynamics:*** Employees are challenged to think, solve problems, make decisions and learn by doing.

- ***Knowledge management/infrastructure:*** Having established systems and structures to acquire, code, store and distribute knowledge and information to those who need it when they need it

What did I learn today?
Make your own summary