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1. Learning Outcomes

After studying this module, you shall be able to

- Know the meaning of change in context of OB
- Identify the two kinds of change
- Appreciate the need for management of change
- Identify forces that cause change
- Know the meaning of resistance to change
- List the forces responsible for resistance to change
- Discuss the approaches for management of change
- Know the concept of J curve

2. Introduction

"The only thing that is constant is change."

- Heraclitus

- Take any industry, automobile, manufacturing, banking, pharmaceutical, biotech, steel, telecommunication, and so on, you find that industries in the 80s were different from industries in the 70s, those in the 90s were different from those in the 80s and so on. All industries have undergone drastic changes over decades. With passage of time, some have died out, some new ones have cropped up and the rest have undergone significant changes. If industries have changed then very clearly companies constituting them have also witnessed their own sturm und drangs. Microsoft has grown from being a software provider to now offering a gamut of hardwares, smartphones, online game console, webmail service,etc. GE has significantly shifted from technology to services and is a leading conglomerate now. Companies that have remained complacent, failed to perceive changes or have avoided them have eventually been pushed off the playground. Eg. Companies selling cassettes which did not respond to the development of CDs had to leave the field. Likewise, CD companies which failed to manage the change posed by a significant change in the market, that is the emergence of internet which made it possible for people to download movies, songs, text, eventually faced a painful end. Companies that have failed to address the call for change include Nokia, for failing to see local competition like micro max and failing to keep up with global competitors like apple, Blackberry mobile phones to some extent, and so on.

In todays fast moving dynamic world, no company can afford to sit complacent. A organization needs to be receptive to the weaknesses of its internal environment and the threats posed by its external environment to effectively turn them into strengths and opportunities, respectively.

The term organizational change refers to company-wide changes, different from smaller changes of the like hiring a new employee, altering a corporate program,etc. Company-wide changes encompass restructuring company operations, adapting to new technologies, M&A adjustments, rightsizing, compliance to programs such as TQM, BPR, etc. Organizational changes transform the organization and call for a radical reorientation of the organizational operations. Changes can be planned or unplanned. Planned changes are relatively easy to manage. Eg If a company seeks to modernize its operations in light of changes in IT and competition, it can prepare the workforce to embrace the change by providing them adequate skills through training. In this way, resistance is minimized and change manifests in the organization. When the organization has the will and intention to carry out some change for which it can strategize systematically, such a change is called a planned change. Unplanned changes are changes which catch the organization unawares and call for immediate action to avoid adversaries. Eg If in an organization, majority of the employees threaten to leave their job and work elsewhere due rigid work timings , this change can be called unplanned since the management did not see it coming.

Management of change is concerned with how well an organization responds to change. The objective of every organization should be to proactively manage changes rather than reacting to changes.

3. Forces for change

As we have seen, companies today are operating in a dynamic and ever changing environment. IT has shrunk the world and revolutionized the way firms operate. Success, today is no longer a matter of fitness rather it is all about adaptation to this ever changing and dynamic environment. There are several factors that act as forces for change. Some of them are as follows:

1. Change in the nature of workforce: Several changes have occurred in the nature of workforce over the last 4-5 decades. Almost every organization today is facing a protracted shortage of top talent. The demand for highly skilled and talented workers far exceeds its supply. Organizations today are harboring almost four generations in their workforce. Each generation has its specific set of tendencies and personality traits. With four generations at work, the organizational work culture has become a potpourri of multiple attitudes, values, beliefs and needs. With restrictions on movement of labor between countries dissipating, organizational workforce has become culturally diverse.

2. Technology: Rapid advancements in IT and communication have revolutionized the way business is conducted. Just when a firm responds to a technological development, a newer path breaking technological development surfaces. Firms have to continually respond to such technological advancements through focus on innovation, R&D in order to survive and grow.

3. Economic shocks: Economic shocks are unexpected and unpredictable changes that affect an economy, either positively or negatively. Economic shocks are also known to impose changes on organizations. The emergence, growth, boom and subsequent bust of the dotcom bubble has serious ramifications for the industry. Likewise, the US housing bubble also had far reaching economic consequences for the reality sector world wide.

4. Competition: Business environment is dynamic and competitors are responding to it. Not only this, with globalization covering almost the entire world, competitors are increasing and competition is becoming more and more tough. As a consequence of heightened competition, firms are focusing on short production runs and product cycles with constant development of new product. At the same time, in order to be more agile, firms are moving towards flexibility with respect to business processes and policies.

5. Social trends: Social trends are changing fast and organizations need to respond to them. Eg Internet is a major factor responsible for a paradigm shift in information sharing. Today all information is just a click away. Any communication is just a call away and any destination is just a matter of some hours. E-commerce has changed the market scenario such that more and more firms today are seeking an online presence. Increased public sensitivity to environmental issues and animals have also forced firms to change.

6. World politics: World politics also has a bearing on organizational change. Opening up of Chinese and Southeast Asian markets, political unrest in different countries of the world, rise of Muslim fundamentalism, etc have all caused major change requirements for firms. Hostile behavior between nations in the form of restrictive trade and investment policy, invasions, etc has major consequences for business.

7. New legislations and regulations: With new legislations and regulations governing specific businesses, firms have to undergo considerable change. In recent times, increased attention is being given to socially and environmentally responsive behavior of the corporates called corporate social responsibility.

4. Resistance to change

4.1 Meaning of resistance to change

Organization members desist change. Resistance to change is a healthy response to change. It is infact positive in the sense that it makes employee behavior somewhat predictable and stable. It is said that people do not resist change itself, rather they resist those aspects of change which personally affect them such as fear of the unknown, status, communication, etc. Resistance to change needs to be recognized and effectively managed in order to embed change into the organization.

Resistance to change can be tacit, implicit, immediate or deferred. Implicit and immediate resistance is relatively easy for management to deal with. Eg. A company proposes to computerize its work, workers will resist this change by threatening to go on strikes, slowing down their pace of work, complaining, etc. This is implicit and immediate resistance to change. It can be managed by way of effective two way communication, participative decision making, providing for requisite skill training, etc. Implicit resistance surfaces at a later stage and is often difficult to recognize such as loss of loyalty towards the organization, reduced motivation to work, degradation of work quality apparent in increased defects and errors. Likewise, deferred resistance to change is also not easy to manage. It gets accumulated overtime and eventually explodes in a manner way out of proportion to the level of change initiated.

4.2 Sources of resistance to change

Several factors are said to cause resistance to change. Some of the important factors include the following:

4.2.1 Individual sources

1. Habit: Habit is an automatic pattern of behavior in reaction to a specific situation; may be inherited or acquired through frequent repetition. In order to cope with life, individuals follow habits or programmed responses. When this programmed section of the individual mindset is trifled with in light of change, it becomes a source of resistance.
2. Security: According to psychologists safety of employment, health, family, resources, etc is a primary human need. A threat to this sense of security acts as a deterrent toward accepting change.
3. Fear of the unknown: We are all plagued of xenophobia. The unknown can branch out to many areas such as hereafter, the next 5-10 years or even tomorrow. It is this fear of unknown and uncertain that people are skeptical to embrace change and hence resist it.
4. Economic factors: Changes in the organization can cause economic fears if people believe that the change will dilute their importance in the organization, reduce their workload in case employability is linked with a certain minimum level of workload. These economic fears are also said to add fuel to the resistance fire.
5. Selective information processing: People are known to selectively process information that confirms to their pre conceived notions and in ways compatible to their mind set.

They selectively absorb information and even more selectively synthesize them. This is a major barrier to effective communication that causes resistance to change.

4.2.2 Organizational sources

1. Structural Inertia: In order to impart stability to the organization, companies generally have standard processes and regulations. More often than not, this standardization causes rigidity which counterbalances all efforts to change.
2. Group inertia: Group inertia is said to exist when even if individuals want to change behavior, they are unable to do so due to group norms. Eg A union member may be ready to accept changes proposed by management in this work but is unable to do so because the union policy dictates non acceptance of bilateral changes made by management. This is a case of group inertia. Very often, this group inertia acts as a strong deterrent to change.
3. Threat to expertise: Change in the organizational pattern often tends to jeopardize the expertise of specialized groups. Eg automation of processes is taken to be synonymous to loss of jobs at various levels of work. This to say that employees perceive that technological advancements at workplace will replace human workers and hence resist technological advancements in the work place.
4. Threat to established power relations: If a change calls for redistribution of power relations such that those holding substantial power before implementation of change tend to face significant dilution of their authority, it tends to cause resistance to change.

4.3 Overcoming resistance to change

We know that business environment is dynamic and organizations cannot afford to overlook these forces. Once the organization identifies the need for change and the direction of it, it is bound to face resistance. At this stage, the management needs to identify and overcome the various forms of resistance that are obstacles in its way of implementing the change. Various measures have been suggested to deal with resistance to change. Some of them are as follows:

1. Communication: At the heart of every successful change management programme lies effective communication. Unless people in the organization are communicated about the proposed change, its relevance, requirements, consequent benefits to them, etc. they cannot be expected to accept and adapt to the change rather, their resistance will only grow. Organizations need to effectively market change such that employees willingly embrace them.
2. Education: Imparting formal training to employees to augment their capability, capacity, productivity and performance in the changed scenario is known to reduce resistance. Training also helps to maintain, upgrade and update skills essential for career growth.
3. Participation: Every organization needs to understand and appreciate that its workforce possess the ability to contribute effectively to decision making. Their involvement in a change decision will help elicit the workforce participation and commitment towards the change management programme. It is generally seen that workers have an inherent mistrust in the management. So if employee representatives work with the management on issues concerning the organization

involving the change programme, employee commitment towards the task can be obtained.

4. Fair implementation of changes: Change should be implemented fairly and consistently in the organization so that some employees do not feel overburdened to the benefit of the remaining others.
5. Manipulation and Cooptation: Manipulation is a type of social influence that attempt to change behavior of others through deceptive tactics. In context of OB and change, manipulation involves twisting and distorting facts pertaining to change to make it appear attractive, withholding undesirable information in order to elicit a favorable response to change. Cooptation is a combination of manipulation and participative decision making. With cooptation, even a greater commitment to change can be evoked from the employees.
6. Coercion: Coercion involves use of intimidation or threats or some other form of threats on resisters. Threats in this case may be in form of transfers, pay cuts, negative performance evaluations and so on to force the resisters to adopt the change.

5. Management of change

Change entails resistance. The relevant management task is to overcome resistance and take steps to achieve the change. There are several approaches to managing change. We shall here discuss certain change management approaches. The most common of all the approaches stated in OB literature is Lewin's Three-Step Model.

### 5.1 Lewin's Three-Step Model for Management of Change

Kurt Lewin has identified three stages involved in the management of change process:

1. Unfreezing: This stage involves overcoming inertia and dismantling the existing mindset. People in the organization are aware that old ways are being challenged but do not have a clear picture as to what is replacing them and why. At this stage management has taken measures to break the status quo or the equilibrium to move ahead. This can be achieved by:

a). Increasing the driving forces. These are forces which maneuver behavior away from the status quo such as incentivizing the adoption of change by giving a pay hike, additional allowances, and low interest loans to employees to build homes in the new place in case change involves transfer, providing for children education in case of transfers, in case of a transfer and so on. These forces are often employed to make the change appealing.

b). Decreasing the restraining forces. These are forces which strengthen the status quo such as apprehensions, concerns and fears regarding the change. Management can decrease these forces by counseling the employees, clarifying their concerns, providing them tangible evidence that unwarranty such resistance.

c).A combination of increasing driving forces and decreasing restraining forces.

2. Changing/Movement: At this stage, change occurs in the organization. This involves confusion and transition. All major changes such as change in organizational structure, policies and practices, etc. happen at this stage.

3. Refreezing: The new mindset gets crystallized and peoples' comfort is restored. This is necessary in order to sustain the change or else people will revert to the pre-change stage. This can be achieved by reinforcing the short term incentives by giving them a permanent nature. Eg an initial pay hike given to employees to accept transfers (due to introduction of change) can be continued and made permanent. This will stabilize and sustain the change.
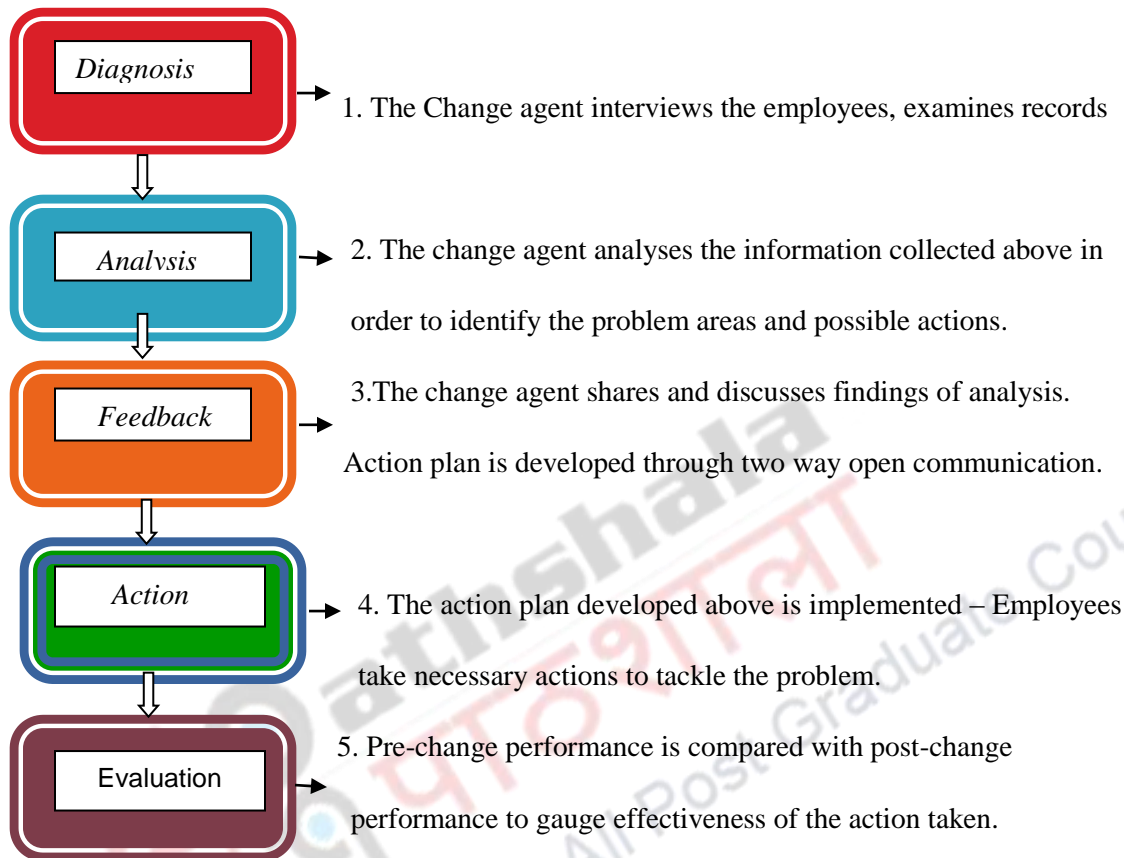
Lewin's Three-step change management process

UNFREEZING

CHANGING

REFREEZING
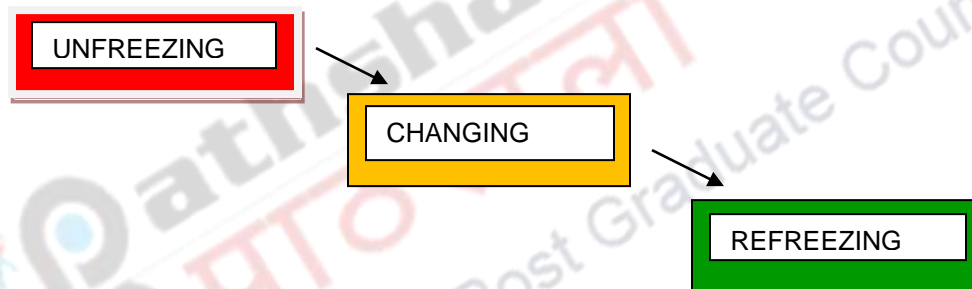
5.2 Action Research

Action Research is a scientific methodology for managing planned changes in organizations. It involves systematic data collection based on the analysis of which the change action is undertaken. Just as a doctor diagnoses an ailment, analyses it, takes patient's feedback, gives medicine and ascertains the improvement on patient's health, similarly organizations can also manage their planned changes. Following are the steps involved action research:

Action Research Process:

Diagnosis — 1. The Change agent interviews the employees, examines records

Analysis — 2. The change agent analyses the information collected above in order to identify the problem areas and possible actions.

Feedback — 3.The change agent shares and discusses findings of analysis. Action plan is developed through two way open communication.

Action — 4. The action plan developed above is implemented – Employees take necessary actions to tackle the problem.

Evaluation — 5. Pre-change performance is compared with post-change performance to gauge effectiveness of the action taken.

5.3 Organizational Development

OD is a concept of planned change interventions that seek to improve the organizational effectiveness and/or efficiency. OD focuses on individual and organizational growth, participative and collaborative thinking and a spirit of research. Though the change agent is the initiator of change, there is a strong emphasis on coactions. The broad values which constitute OD are as follows:
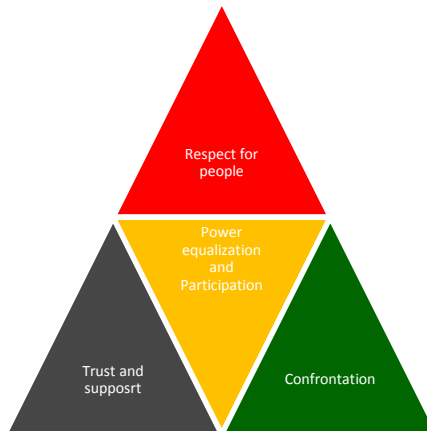
OD values pyramid

1. Respect for people: Individuals should be treated with dignity and respect. Each individual is taken to be responsible and capable.
2. Power equalization and participation: OD focuses on decentralization of authority and control, thus empowering people. Collaboration and participation should be emphasized to lead to organization towards effectiveness and efficiency.
3. Confrontation: All problems should be openly challenged. No problem should be left unexposed and unchallenged.
4. Trust and Support: The organization culture should be such that it fosters mutual trust, cooperation, openness, support, etc such that the goal of OD can be achieved.

Some techniques through which OD can ne achieved include feedback surveys, sensitivity training, team building, process consultation, appreciative inquiry etc.

6. Concept of J curve

J curve demonstrates the employee reactions, performance and attitudes at different stages in the change process. Anticipation of these reactions at various stages can help managers device suitable strategies to deal with the different kinds of employee emotional obstructions that jeopardize the management change efforts. In this way J curve is an innovative way of managing change. The J curve traces a path which follows on an average all major changes, be it introduction of a new product, dropping a product, merger, technological up gradation and so on. The J curve splits the change process into 5 stages and attempts to plot employee net performance at each stage. The curve can be at the individual as well as the organizational level, the basic concept remains the same. It measures net performance, given by the difference between successes and failures on job, on the X-axis and time period on the Y-axis. If the number of successes outnumber the number of failures on job, net performance is said to be positive and vice-versa.

The curve shows that with the introduction of change, initially performance dips and eventually it begins to rise and ultimately it crosses the before change performance level.

The first stage reflects the pre-change initial positive performance that has plateaued.

When a change is introduced, it causes a precipitous fall in performance such that the net performance is highly negative. The number of failures on job far outnumber the number of successes on it. This is because employees are hesitant about the change and most reluctant to accept it. They are unable to remember the new processes and the changes methods. As a result of this they make more errors. Their motivation levels are very low. Managers at this level need to address the emotional aspect of change, explain to the employees how the change will benefit them first and then the organization, provide necessary training for skill enhancement, etc.

In the third stage, workers start remembering the new processes and get somewhat used to them. Their successes on job slowly start increasing and mistakes become fewer. Even if they commit errors, they are quick to recognize and fix them. The net performance slowly starts becoming positive.

In the fourth stage, net performance is increasing at an increasing rate as the new ways of working or the change is now well absorbed and accepted. Workers perform well and get an additional fillip, which is the sense of proficiency or the quality of having competence emanating from practice and familiarity.

In the fifth and the last stage, the performance reaches its peak. It crosses the pre-change performance level of stage one. It can be seen that performance in stages two, three and four, are below the stage one level. It is only in stage five that post change performance transcends the pre-change level. In this stage, worker proficiency further increases and the change achieves its objective. The increased performance causes exhilaration and corroborates employee belief in his capacity to deal with challenges.

5. Summary

- The term organizational change refers to company-wide changes encompassing restructuring company operations, adapting to new technologies, M&A adjustments, rightsizing, compliance to programs such as TQM, BPR, etc.
- Organizational changes transform the organization and call for a radical reorientation of the organizational operations.
- Changes can be planned or unplanned. Planned changes are easy to manage.
- When the organization has the will and intention to carry out some change for which it can strategize systematically, such a change is called a planned change.
- Unplanned changes are changes which catch the organization unawares and call for immediate action to avoid adversaries.
- Forces that cause change are- change in the nature of workforce, technology, economic shocks, competition, social trends, world politics, new legislations and regulations.
- Resistance to change is a healthy response to change. Resistance to change can be tacit, implicit, immediate or deferred.
- Resistance to change can be caused by individual as well as organizational sources.
- Individual sources include habit, security, fear of unknown, economic factors and selective information processing.
- Organizational factors include structural and group inertia, threat to expertise and established power relations.
- Resistance to change can be overcome through communication and education, participation, fair implementation of changes, manipulation, cooptation and coercion.
- Kurt Lewin has identified three stages in the management of change process- unfreezing, movement and refreezing.
- J curve demonstrates the employee reactions, performance and attitudes at different stages in the change process.